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ABSTRACT

Twenty papers review past activities and future prospects for philanthropic activity in specific social areas. The report is part of a five volume series examining the relationship between nonprofit institutions and their donors. The purpose of the series is to provide impetus for ongoing research and to focus public attention on the significance of the voluntary sector. Volume II, Part I explores privately-financed activities in areas of elementary, secondary, and higher education; the sciences, health; social welfare and social policy; the arts; environment; and public and international affairs. In general the papers examine the changing roles of philanthropy and government in each area and the prospects for the future. Philanthropic profiles of five U.S. cities are included also. These discuss survey methodology, donor allocation findings, and issues such as: Are local foundations meeting their responsibilities to the community? and What would be the impact of changes in federal tax laws affecting the deductibility of charitable donations? (Author/AV)

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Philanthropic Fields of Interest
Part I – Areas of Activity

Department of the Treasury
1977

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    1. That to increase inducements for charitable giving, all taxpayers who take the standard deduction should also be permitted to deduct charitable contributions as an additional, itemized deduction.
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    2. That an additional inducement to charitable giving should be provided to low- and middle-income taxpayers. Toward this end, the Commission proposes that a "double deduction" be instituted for families with incomes of less than $15,000 a year; they would be allowed to deduct twice what they give in computing their income taxes. For those families with incomes between $15,000 and $30,000, the Commission proposes a deduction of 150 percent of their giving.
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    3. That income deducted for charitable giving should be excluded from any minimum tax provision.
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    4. That the appreciated property allowance within the charitable deduction be basically retained but amended to eliminate any possibility of personal financial gain through tax-deductible charitable giving.
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5. That the charitable bequest deduction be retained in its present form.

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Commission Recommendation 10

6. That corporations set as a minimum goal, to be reached no later than 1980, the giving to charitable purposes of 2 percent of pre-tax net income. Moreover, the Commission believes that the national commission proposed in this report should consider as a priority concern additional measures to stimulate corporate giving.

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3. That the present 4 percent "audit" tax on private foundations be repealed and replaced by a fee on all private foundations based on the total actual costs of auditing them.

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Part I

Areas of Activity

PRIVATE PHILANTHROPY AND HIGHER EDUCATION: HISTORY, CURRENT IMPACT, AND PUBLIC POLICY CONSIDERATIONS

Earl F. Cheit† and Theodore E. Lobman III*

Introduction

Philanthropy has nurtured and shaped American higher education for over 300 years. Its current and evolving significance cannot be understood apart from its long history. This paper begins, therefore, with an analysis of higher education philanthropy during five historical phases. Chapter II compares the role of private support with that of the federal government, and Chapter III describes in detail the sources and purposes of philanthropy in higher education. In Chapter IV, we identify the functions of philanthropy in higher education for the purposes of evaluating public policy. The final chapter is a discussion of the evolving role of philanthropy as it relates to the new condition of higher education.

We advance the thesis that private philanthropy performs necessary functions in higher education, that the importance of these functions will increase in the future, and that government cannot substitute its resources for those of philanthropy and achieve the same beneficial results.

I

PRIVATE PHILANTHROPY AND HIGHER EDUCATION: HISTORICAL PERSPECTIVES

The Legacy of the Colonial Colleges

American higher education represents the nation's longest lasting private-public partnership. This cooperative relationship, today the object of much self-conscious scrutiny, grew quite naturally out of necessity a century and a half before the formal founding of the nation. To their prodigious problems of building colonies, the settlers added the practical problems of establishing and operating colleges. They wanted to train their own generation of leaders, to bring civilization to the wilderness, and eventually to build in the new world what they hoped would become an exemplary society. In the words of John Harvard's gift of 1635, what was needed was "a school or college." Then, as now, the short- and long-term justifications for higher education seemed clear.

The first colonial experiment in higher education, Henrico College, was chartered by the Crown in 1619, but with only a land grant and no other public financial support. It failed. Private funds were limited, and for a college to succeed, public as well as private money was essential. When Harvard, the second college, was founded in 1635 it began with a grant of public funds for its operations, and in its first 150 years, public funds came to its support more than 100 times.[1]

By the time revolution had become a serious prospect, the settlers and their descendents had, through private funds gathered here and abroad and with the help

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Table 1

Charters of the Nine Colonial Colleges: Comparison of Some Provisions

Date founded	History of name	Why so named	Movement for school started by whom	First funds of college			Control	Charter			First president's religious affiliation
				Source	Amount	Form		Requested by whom	Granted by whom	When granted	
1636	"A School or college;" Harvard College, 1638	Gift from John Harvard	General Court of Massachusetts Bay	General Court; John Harvard.	£400; £400 and library.	Grant; bequest.	General Court of Massachusetts Bay till 1642.	President Dunster.	General Court of Massachusetts Bay with consent of governor.	1650	Educated at Magdalen College, Cambridge, England.
1693	College of William & Mary	For the King & Queen of England	Jas. Blair and 4 other of chief clergy of Virginia	Blair's subscriptions in England; English Government.	£2,500; £2,000 and 20,000 acres.	Subscription; grant.	Self-perpetuating board of trustees, 18 in number, not exceeding 20.	Jas. Blair, agent for Virginia Assembly.	William and Mary of England.	1693	Clergyman of Church of England.
1701	The Collegiate School of Connecticut; Yale College, 1718	Suggested in petition for charter; gift from Gov. Elihu Yale	Ministers in New Haven Colony	General Court of Connecticut.	£120, in country pay.	Grant...	Ten trustees, all ministers.[1]	Congregational clergy.	General Court of Connecticut.	1701	Congregational.
1746	College of New Jersey; Princeton University, 1896	Located here on condition of a gift of 210 acres of land and a £1,000 Proc. money.[2]	Presbyterian clergy and laymen.	......	......	.....	Board of trustees, 23 in number.	Presbyterian clergy.[3]	George II through Governor of New Jersey, with his Council's consent.	1746; 1748	Presbyterian, Yale graduate in 1706.
1754	King's College; Columbia College, 1787	....	Probably by Trinity Church.[4]	New York Legislature, by lottery.	£3,443[5]..	Grant...	Board of 41 trustees (two-thirds of whom were of the Church of England.)	Legislature....	Governor and Council of New York.	1754	Church of England, Yale graduate.
1755	College of Philadelphia; University of Pennsylvania, 1791	....	Benjamin Franklin	The trustees and other charitable persons.	....	Subscription.	Board of trustees.	B. Franklin and other citizens.	Governor of Pennsylvania for the proprietors, T. and R. Penn.	1755	
1764	Rhode Island College; Brown University, 1804	Brown University in honor of gift from Nicholas Brown.	Morgan Edwards and the Baptist Association of Philadelphia.	Collected in England and Ireland by Morgan Edwards.	$4,500..	Subscription.	Trustees, 36 in number, 22 of whom must be Baptist.	Philadelphia Baptist Association.	Governor of Rhode Island.	1765	Baptist Church.
1766	Queen's College; Rutgers College, 1825	In honor of the royal consort, Charlotte Col. Henry Rutger's support and leadership.	Theo. J. Frelinghuysen.	....	....	......	Board of trustees, 37 in number.	Progressive clergy and congregations of Dutch Reformed Church.	Governor of New Jersey in name of George III	1766	Dutch Reformed Church.[6]
1769	Dartmouth College	For its chief benefactor, Lord Dartmouth, of England.	Rev. Eleazer Wheelock who opened school for Christianizing Indian Youth in 1754.	Subscription in England.	£10,000.	Subscription.	Twelve trustees.	Wheelock, who had kept the Indian school.	Governor of the Province of New Hampshire.	1769	

[1] "Inhabiting within this colony, or the major part of them;" the board added one to its number, making 11.
[2] College catalogue, 1912-13, p. 58.
[3] Maclean: "History of the College of New Jersey," vol. 1, ch. 1, gives a complete account of the founding.
[4] Moore, N.H.: "An Historical Sketch of Columbia College," p. 6.
[5] This amount resulted from two lotteries authorized by legislative enactment, in 1746 and 1751. See "Hist. of Col. Univ., 1754-1904," p. 3 ff.
[6] Murray: "Hist. of Educ. in N.J.;" there was no president till 1785.

SOURCE: Jesse Brundage Sears, *Philanthropy in the History of American Higher Education*, (Washington, D.C.: U.S. Government Printing Office, 1922), p. 12-13. Sears' report, originally a doctoral dissertation at Columbia University in 1919, is a pioneering work, relied on by all who write in this field. We are indebted to Sears for this table and for data used in later sections of this essay.

of their own legislatures and the English government, founded nine colonial colleges, one each in Massachusetts, Virginia, Connecticut, New York, Pennsylvania, Rhode Island, New Hampshire, and two in New Jersey. All of these institutions were operating in 1787 at the time of the formal founding of the nation and are still operating today.

Public funds were essential to the establishment of several of these early colleges, but each was founded on the explicit premise that private gifts would help them to carry on. The first colleges became an important object of private philanthropy, and thus, from the beginning, private philanthropy helped to shape American higher education.[2] Table 1 summarizes elements of the charters of the nine colonial colleges. It reveals that institutional diversity—a source of strength and an object of pride in American higher education today—was built into these first institutions. Government (colonial or English) was involved in the founding of Harvard, William and Mary, and Columbia (earlier King's College), and the first operating funds for Yale and Columbia came from public tax sources. Some of the colleges had religious affiliations, others did not. All were begun as a result of the efforts of individuals or groups, not governments. Whether or not they received government aid, their charters indicate that all expected to rely on gifts from individuals.

Although this partnership of private and public effort evolved naturally out of the needs and aspirations of the colonists, funds for building and operating the colleges did not flow quite as naturally. Gifts often came in kind. Money was scarce, and necessity stimulated ingenuity: The colonial colleges gave honorary degrees and even offered to sell the college name. They devised and relied heavily on organized plans for fund raising by public subscription. (Harvard published its first fund-raising pamphlet in 1642.) Organized fund raising, that important American invention, was one early nineteenth century result.[3] Government—colonial courts and officials—helped these subscription efforts and provided funds as well.

Government financial support helped various types of new educational institutions, both profit and nonprofit. After the Revolutionary War, mixed enterprise became common. Early in the nineteenth century the states entered the banking and transportation business as a means of spurring economic development. The more usual device, however, was the mixed corporation, with varying degrees of state participation. The corporate form, writes historian Thomas C. Cochran, "...enabled governments to join with private interests in subscribing for shares. Many early banks, turnpikes, and canal companies were of this 'mixed type' with both public and private stockholders and directors. Looked at broadly, in such arrangements businessmen, short of capital for needed improvements, sought the aid of the state which could mobilize capital by use of the taxing power."[4] And of course, the power of government was used to mobilize and provide funds for those first colleges.

Business institutions created by private-public collaboration have either vanished or, for various reasons, no longer function in that form. Profitable business holdings were sold to private interests; ventures that lacked market value became the responsibility of the state. As a result, private-public partnership outside the nonprofit sector has become relatively rare.

When the Communication Satellite Corporation (COMSAT) was formed in 1963, it was hailed as an exciting new venture—an experiment in joint private-public effort. Yet, when the nation in 1976 celebrates its 200th anniversary, the private-public partnership in higher education will be observing its 340th.

One would not expect that a collaboration of such duration and diverse interests could be a wholly silent partnership. Over the years, important disagreements arose as the private and public roles changed, new leadership emerged, and new problems occurred.

Private philanthropy helped to shape higher education and became a major source of its stability, development, and innovation. While many individual ventures failed, the whole collection of diverse enterprises consistently overcame adversity and grew. As the public role increased, the partnership became, more accurately, a cooperative relationship of shared action "essentially autonomous on both sides."[5] Its salient characteristic was its ability to be responsive to the diverse, evolving needs of a growing nation.

Today, the physical legacy of that early partnership is over 2,800 public and private institutions, ranging from large national research universities to small local colleges, as diverse in style, mission, and aspirations as were the first nine institutions. A measure of that diversity and scope is provided in Table 2, which indicates the array of institutional types as of 1970. By standards of quality, egalitarianism, scientific achievement, diversity, and size, these institutions lead the educational systems of all other nations.[6]

Table 2

Classification of Institutions of Higher Education (as of 1970)

Type of Institution	Total Number	Form of Control	
		Public	Private
Research universities	92	57	35
Doctoral-granting universities	81	51	30
Comprehensive universities and colleges	453	308	145
Liberal arts colleges	719	28	691
Two-year colleges and institutions	1,061	805	256
Theological seminaries, bible colleges and other institutions offering degrees in religion	196	0	196
Medical schools and medical centers	43	29	14
Other separate specialized professional institutions	182	35	147

Source: The Carnegie Commission on Higher Education, *A Classification of Institutions of Higher Education*, (New York: McGraw Hill Book Co., 1973)

Today, the nearly 3,000 colleges and universities—public and private—expend about $30 billion annually to meet the diverse educational requirements of 10 million students and a long list of private and governmental agencies for whom higher education provides research and other services. Meeting the needs of this enterprise is a complex problem.

As trustees of this achievement in higher education, Americans have repeatedly demonstrated concern for its protection and development through private and public support. The needs today are substantial and will test the responsive ability of the private-public partnership in higher education as severely as in any period in history. This report reviews the private role in order to determine what might help guide future policy toward philanthropy in higher education.

An Overview of the Private Role, 1636-1974

Private philanthropic support to higher education, which spans a period of some 350 years, is today part of a complex enterprise whose financial needs are so immense that policy discussions about the private role often accomplish little more than focus on immediate financial problems. These problems were most recently (1974) investigated by The National Commission on the Financing of Postsecondary Education, a major national commission established by Congress under amendments to the Higher Education Amendments of 1972. At least six major commissions, public and private, have studied higher education and made reports within the last two years, from 1973 to 1975.[7] In addition, many, perhaps most, of the states have conducted inquiries into the needs of their educational institutions.

Without exception, every one of these major commissions finds that higher education has pressing financial needs and that financial stress is likely to grow in the future. All recognize, in varying degree, the need for increased efforts by both public and private funding sources.

It is difficult to talk much about yesterday when tomorrow's burdens are already upon us. Yet there is an important reason for reviewing the past. If the private philanthropic role is discussed solely in the context of future need, policy discussions are likely to develop an ambivalent attitude towards private funds in which the funds are seen as desirable but also requiring special justification.

This can occur in part because of an oversimplified view of the history of philanthropy in higher education, summarized as follows: In the beginning higher education was supported almost exclusively by private philanthropy. This situation prevailed until the latter part of the nineteenth century, when the establishment of the land-grant colleges opened up the way for public sector support. Then came the burst of organized, modern philanthropy, beginning at the turn of the century and lasting until about World War I. During this time, private giving helped higher education to raise its standards and improve conditions for its faculty. Next came the "welfare state" of the mid-1930s. Public expenditures on higher education rose rapidly and private giving receded to the point where it is now, well under 10 percent of the operating income of colleges and universities.

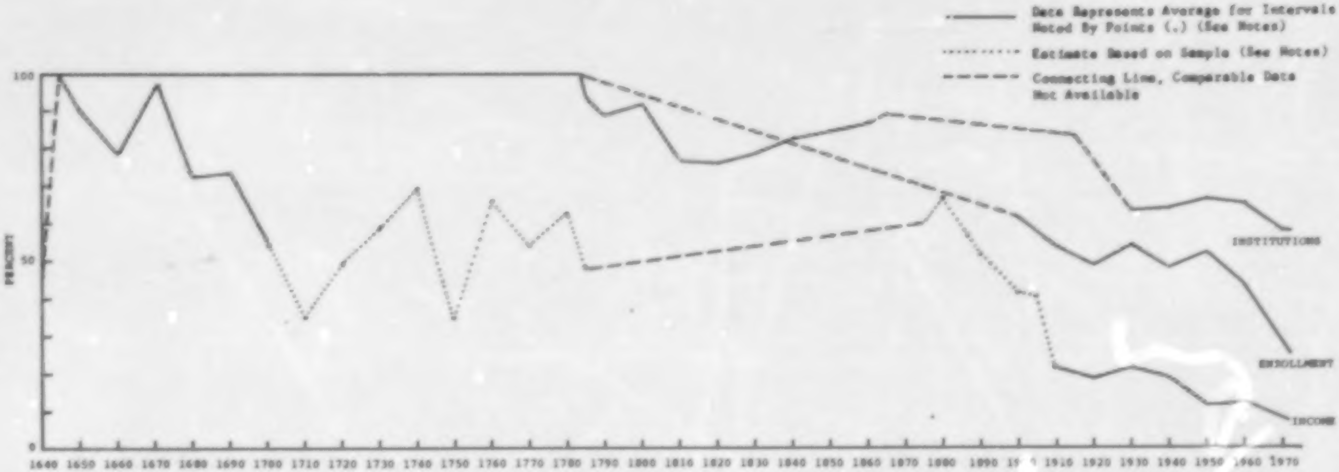
The problem with this historical interpretation is that it understates both the early public role and the continuing private role in higher education, and, therefore, the important forms of development of each. Aggregating a single need called "higher education," which was once entirely privately met and is now almost entirely publicly met, a purely historical view invites the inference that public policy towards private giving is being asked to accommodate something of an anachronism. Private money is seen as helpful but not necessary to the total task. This invites further inference that public policy should not encourage private funds unless the private product is better than the public product. This is especially true for foundations. At the hearings of the U.S. Senate Subcommittee on Foundations in May 1974, Chairman Vance Hartke emphasized ". . . it is not enough to say that private charity has been around since the Romans, or that it had an important place in the very early days of this republic . . . If foundations are merely on a parallel course with government, they are existing on a very slender reed . . . There is nothing in American society that *requires* [his emphasis] that foundations exist. Public needs can be defined by elected officials who are responsive to the people they serve . . . I believe that foundations should be the cutting edge of innovation and experimentation, that they should be probing the resources of America so that we can raise the quality of life for all Americans."[8]

The past achievements can not alone be used to justify current tax incentive for private philanthropy. But an understanding of past philanthropy does reveal its current and future importance.

Figure 1 presents a rough overview of the private role in higher education from 1640 to 1972. Three indicators are used: the "institutions" line shows the percentage of all colleges and universities that are privately controlled; the "enrollment" line shows the percentage of college and university students enrolled in private institutions; the "income" line represents the percentage of college and university operating income derived from private giving. (As the notes to the figure indicate, for some of the period, operating income is equivalent to total income.)

Figure 1

Percent of Colleges and Universities Privately Controlled; Percent of College and University Students Enrolled in Private Institutions; Percent of College and University Operating Income from Private Giving, 1640-1972



Notes and Sources for Figure 1

INSTITUTIONS

This line represents the percentage of institutions of higher education that are privately controlled, recorded at 10-year intervals

Private institutions include all religious and nonsectarian institutions not publicly controlled. Public institutions include "semi-state" controlled, municipal, and previously privately controlled but currently publicly controlled institutions.

Figures before 1865 represent only those "permanent" institutions that were established then and are still in existence. (Note made because of high mortality rate of pre-Civil War schools and the lack of data about the numerous institutions).

Sources:

1640-1860	Donald Tewksbury, *The Founding of American Colleges and Universities Before the Civil War* (New York: Arno Press, 1969), Table IV, pp. 32–54.
points at 1865 and 1915	Jesse Sears, *Philanthropy in the History of American Higher Education* (Washington, D.C.: U.S. Bureau of Education, Bulletin No. 26, 1922), p. 36.
1930-1940	U.S. Department of Commerce, *Statistical Abstracts* (Washington, D.C.: U.S. Government Printing Office, 1974), p. 104.
1950-Fall 1972	American Council on Education, *A Factbook of Higher Education* (Washington, D.C.: 1974), p. 73.117.

ENROLLMENT

Source	Carnegie Commission on Higher Education, *New Students and New Places: Policies for the Future Growth and Development of American Higher Education* (New York: McGraw Hill Book Co., 1971).

INCOME

From 1640-1785 this line represents the percentage of total government grant income and private source income that private gifts represent. (Student fees, non-monetary capital gifts, endowment earnings and non-monetary government gifts are not included.)

From 1875-1972 this line represents the percentage of total current-fund income that private gifts and endowment earnings represent. (Capital gifts are excluded from 1875-1910 by estimation and from 1910-1972 by calculation).

From 1640-1698, figures represent income at Harvard, the only existing institution.

From 1698-1700, figures represent income at Harvard; no figures are available for William and Mary, established in 1698.

From 1700-1750, figures represent income at Harvard and Yale.

From 1750-1785, figures represent income at Harvard, Yale, Princeton and Columbia.

In 1785, with the establishment of the University of Georgia, the exclusively "private" sample becomes invalid. No representable or aggregate data are available from 1785-1875.

Notes and Sources for Figure 1 (Continued)

INCOME (Continued)

From 1698-1785, data were averaged from a sample of colonial colleges and the calculated percentages were applied as an estimate of the aggregate for all colleges at the time. The averages were total income for each school in the categories described; the percentages were then calculated overall and not averaged.

From 1785-1972 figures represent aggregate figures for all recorded institutions of higher education. From 1785-1905 this includes all universities and colleges for men and for both sexes; after 1905, technological schools are added; after 1910, women's colleges are added. Considered complete from then on.

Sources:

1640-1785	Sears, op. cit., pp. 23-26.
1875-1910	Ibid., p. 55 (referring to pp. 23-26, 42 for estimation).
1910-1972	U.S. Office of Education, *Higher Education Finances, Selected Trend and Summary Data.* (Washington, D.C.: U.S. Government Printing Office, 1968), p. 3.
	U.S. Office of Education, National Center for Educational Statistics, *Digest of Educational Statistics, 1973 edition,* (Washington, D.C.: U.S. Government Printing Office, 1973), p. 124.

Until 1785 (the date of the founding of the first public institution) all higher education institutions and, accordingly, all enrollments were private. About 90 percent of all institutions were private until the beginning of the nineteenth century, when, because of the increasing number of public institutions, private institutions accounted for just under 80 percent of the total. About 85 percent of all institutions were private at the time of the Morrill Land-Grant Act in 1862; and despite the subsequent founding of many public institutions, the private institutions kept pace into the beginning of the twentieth century. In 1915, they represented almost 85 percent of all institutions; from 1930 to 1960, that figure dropped to about 66 percent. Since the 1960s, economic difficulties, together with overall growth in the number of institutions, has caused another 10 percent decline in the proportion of institutions that are private. During the first half of the 1970s, about 56 percent of all institutions were private. (See Table 2.)

The percentage of college and university students enrolled in private institutions generally follows the institutions curve, but declines somewhat more rapidly. At the beginning of this century, about 60 percent of all students were enrolled in private institutions. That figure had declined only slightly by 1950, when slightly over one half of all students were enrolled in private institutions. Since the early 1950s, however, the private share of total enrollment has declined to its current level of about 30 percent.

Income shares—or the percentage of operating income derived from private sources—fluctuate more than the enrollment and institutions figures. The figures from 1640 to 1698 represent, of course, only one institution, Harvard. (Harvard's status was switched from a form of public control to private control in its first four years, 1636 to 1640. Since the data from this period are not comparable to those used later, Figure 1 begins at 1640 and not 1636).

As we noted earlier, public funds were, from the start, a significant factor in the financing of higher education. At only one point in the entire period from

1640-1972 were private funds a full 100 percent of total institutional operating funds. While the private share fell as low as 35 percent in 1750, for most of the years private giving produced between one half and two thirds of total operating income. The growth of the public role reduced the private share to about one fifth by World War II. Since World War II, both private and public funding of higher education have grown substantially, but the more rapid growth of public expenditures has greatly reduced the relative private role. Although private gifts and grants and income from endowment currently account for more than $2.5 billion, they represent only about 8 percent of the total operating income of higher education.

Five Main Phases of the Private Philanthropic Role

The role of private philanthropy in higher education is not highly specialized: It reflects the views of many givers and is fully as diverse and complex as higher education itself. As shown in Figure 1, the private share of total expenditures is only about 8 percent. But that figure, the substantial dollar sum of some $2.5 billion, comes from a wide variety of giving sources–individuals, corporations, foundations–and is used to help support the entire range of activities in higher education, including student aid, operations, building, research, and endowment.

To a considerable extent, this has been the function of private philanthropy in higher education almost from the beginning. Gifts to the colonial colleges, for example, covered all aspects of building and operation. Yet despite the comprehensive character of private giving, it is possible to identify periods in history when certain types of philanthropy were more important than others, or at least most representative of the time. This is in part a reflection of the evolutionary development of higher education, since giving tends to be a response to needs.

The private philanthropic role can be viewed in five phases: (1) the colonial period, 1619-1776, (2) the period from the Revolutionary War to the passage of the Morrill Land Grant Act in 1862, (3) the period from the Morrill Act to the turn of the century, (4) the first half of the twentieth century, and (5) the last 25 years. In this section, we review briefly each of these periods, focusing on the policies and principles that appear to have shaped the private role and on the major legislative initiatives of the federal government. We then examine in detail the recent private and public roles, exploring the rationale for the current private-public mix. Finally, we look ahead to see how this evolving cooperative relationship is likely to meet future needs.

"Piety, Civility, and the Advancement of Learning," 1619-1776

This phrase, from Cremin's history of American education during the colonial period,[9] reflects the goals of the colonial colleges, as well as the main thrust of philanthropy in these early years. Even when religious training was the major reason for founding a college, the form of education offered was that of the conservative traditional English variety. Giving sought to aid the survival of institutions which were devoted to traditional education, not to encourage innovation. According to Curti and Nash, the major source of private giving at the time was individual merchants.[10] About 30 percent of the gifts came from England, but the bulk of the colleges' support came from their natural constituents, the local areas of the colleges.

Finance was by no means limited to private sources, however. Figure 1 reveals the importance of state aid at this time, although it does not indicate the ingenuity used to provide some of that aid. Among other things, the colonial governments administered lotteries, supplied fuel, gave ferry tolls to Harvard, and transferred proceeds from a rum tax to Yale.

Given their difficult financial burdens, the colleges' main task was to exist, not worry about the philosophy of the curriculum. Yet, as Cremin's phrase indicates, the colonial colleges had broader aims than religious ones, and aspirations beyond traditional educational forms. Although in the earlier part of this period giving was mainly motivated by religion and the wish to help institutions survive, in the later years philanthropy began to take on a new dimension—the advancement of learning and expansion of studies.

In 1721 Thomas Hollis, a London merchant, offered Harvard a gift of an endowed professorship in the hope that it would give impetus to the movement for religious liberalism.[11] His gift, though not successful in its original objective, was intended to introduce change in education and led the way to private sponsorship of academic innovation. Hollis is given credit for establishing the tradition of giving for innovation, a practice followed by his grand-nephew, who was active in the fields of secular mathematics and philosophy.

The pattern of giving in the nine colonial colleges established a framework for the financing of American higher education. Its main characteristic was private organization with partial public financing. The private effort played the leading role, establishing the colleges, building them, and helping to support them. Public funds were important too, but as Sears' study observes, "... it does not appear that in any case the colony frankly and fully accepted the responsibility for developing a college."[12] Clearly, leadership was private.

Diversity and Change, 1776-1862

In the 86 years between the Revolutionary War and the passage of the Morrill Act, private philanthropy financed a fifty-fold increase in the number of colleges, and a variety of innovative ventures, most important of which were women's institutions and schools to teach the useful arts. Public funds supported some of the private efforts but played no important leadership role in this period.

This remarkable upsurge in college-founding began slowly because of the loss of English philanthropy as a consequence of the Revolution. Since English funds had provided about 30 percent of the income for the colonial colleges, the post-revolutionary years were lean. From 1776 to 1800 the colleges, like the struggling new nation, were small and relatively poor. Yet even under these circumstances, 14 new institutions were founded. Then, in the subsequent decades, some 500 colleges were founded, which is why these years are often referred to as the period of the "College Boom."

These new colleges included a variety of sectarian and nonsectarian, as well as state, institutions. Most of them, however, were religious institutions, and for much of this period religion remained the dominant motive for giving. Although a developing America needed new skills in industry, engineering, and agriculture, the foremost philanthropic purpose was that of educating the clergy. In 1830 there were 20 theological seminaries but no schools of engineering (except West Point), business, agriculture or forestry. Higher education was not yet in the mainstream of American life, even though its graduates were.

Sears found that small gifts and subscriptions were the most common form of giving in this period, "as common as was the poverty which characterized the financial history of practically all colleges of the period."[13] Few colleges were well-endowed. Yet, as Frederick Rudolph observed about this period, college-founding was like canal-building, cotton-ginning, and gold mining, "touched by the American faith in tomorrow."[14]

But two important ideas—both products of the Revolution—were bringing higher education into a position from which it could more directly contribute to the economic and social growth of the nation. These were, as Oscar and Mary Handlin have observed, that "education advanced the prosperity of society ..." and

"Independence, and then later the Jeffersonian and Jacksonian movements, diffused political power and reinforced the existing hostility to privilege or even to tokens of exclusive status. Opportunities were to be available to all, in education as enterprise."[15]

The power of the first idea helped to encourage Eastern support of frontier colleges and to build a national base for giving to higher education. No longer was the argument for giving tied to local benefit.

The second idea stimulated the innovative philanthropy of this period. Among the most important work was that of the Tappans, businessmen-philanthropists who founded Oberlin and Kenyon, colleges seeking to advance education for Blacks in the cause of abolition. Other philanthropists founded the nation's first colleges for women, Troy Female Seminary in 1820, Mount Holyoke Seminary and College in 1836, and Vassar Female College in 1861. From his own gospel of wealth, Vassar derived a conclusion that strikes a resonant response today: "that woman, having received from her creator the same intellectual constitution as man, has the same right as man to intellectual culture and development."[16]

In a similar spirit, Stephen Van Rensselaer decided to underwrite work in the useful arts and offered land to the state of New York in 1824 to establish a publicly supported school of agriculture. When the state legislature refused to pass the necessary legislation, he proceeded on his own.[17] His statement of purpose anticipated the land-grant movement and embodied the populist spirit of the nation at mid-century: The school would instruct persons "in the application of science to the common purposes of life [and] to qualify teachers for instructing the sons and daughters of farmers and mechanics . . ." By 1835 Rensselaer Polytechnical Institute was offering courses in engineering, and went on to lead in that field.

In his history of the period, Sears observes that ". . . the idea of a state college had taken definite form, though the real burden still rested upon philanthropy. In nearly every state, the church and private enterprise did the college pioneering."[18]

Although private philanthropy was the chief agent in the development of higher education during this period, an active public role was slowly developing. (The development of the federal role is discussed in the Appendix.) When Congress adopted the Northwest Ordinance in 1787, it authorized the first land grants for the establishment of educational institutions. The federal role remained minor, however, for the next 75 years.

The state role was somewhat larger. According to Sears, 32 institutions had been established by the states by 1865. But the state institutions were following the lead of the private institutions and would later count as important their own private gifts.

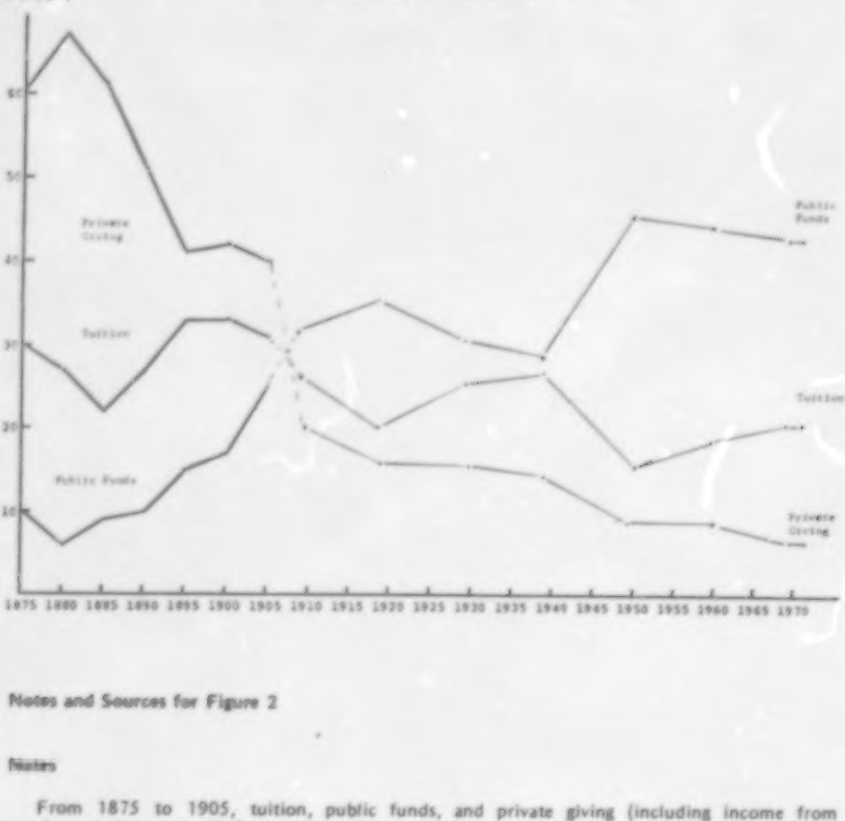
Giving For Future Use and Sharing Leadership With Government, 1862-1902

In the mid-nineteenth century, in contrast to earlier periods, American higher education was supported almost exclusively by private funds. Public grants to the old colonial colleges had been discontinued, succeeded by the state governments' support of their own institutions. Figure 1 shows that during the last half of the nineteenth century, more than four fifths of enrollment was in private institutions. Figure 1 does not show income data for this period, but the connecting line on the figure, which suggests that private support may have been about two thirds of operating income, probably overstates the importance of public funds. Sears concludes in his study that there was very little public money in higher education at this time.

The Morrill Land Grant Act of 1862 gave to each state within the Union 30,000 acres of land per congressman for the purpose of endowing at least one mechanical and agricultural college in each state. The act, which granted more than 17 million acres of public domain to the states, signaled the beginning of new roles for federal

Figure 2

Percent of Total Current Fund Income from Public Sources, Private Giving, and Tuition, 1875-1971



Notes and Sources for Figure 2

Notes

From 1875 to 1905, tuition, public funds, and private giving (including income from previous endowment gifts) represent 100 percent of current fund income. Other sources of income were either lumped in with these or not recorded at all. After 1905, income from auxiliary enterprises (e.g., dormitories, food services) and other current income are separated. Thus the percentages from 1905 to 1971 do not add up to 100 percent, the deficit being current income not reflected in the tuition, public funds, or private gifts accounts. Auxiliary enterprise and other current income represent from 22 to 28 percent of total current income during the 1910-1971 period.

Sources:

1875-1905	Jesse Sears, *Philanthropy in the History of American Higher Education* (Washington, D.C.: U.S. Bureau of Education, Bulletin No. 26, 1922).
1910	U.S. Office of Education, *Higher Education Finances, Selected Trend and Summary Data* (Washington, D.C.: U.S. Government Printing Office, 1968), p. 3.
1920-1971	U.S. Office of Education, National Center for Educational Statistics, *Digest of Educational Statistics, 1973 edition* (Washington, D.C.: U.S. Government Printing Office, 1973), p. 124.

and state government in higher education. However, measured by actual funds expended, that public leadership role developed slowly. In 1875, the first year after passage of the Morrill Act for which there are good data, public funds from all sources still represented only 10 percent of the total current fund income for higher education. (See Figure 2.) Tuition accounted for 30 percent, private giving for 60 percent. By 1902, 27 years after passage of the act, the public share of current fund income had risen to 20 percent; tuition accounted for 35 percent, private funds for 45 percent. The public role was increasing steadily, albeit slowly, and it was given considerable impetus by private funds. Sears reports that in 1871 private gifts to land-grant colleges totaled $285,000.[19]

Because private philanthropy was still the dominant funding source during this period of rapid growth in higher education, it had to fund all functions and therefore was not specialized.

It is possible to identify four dominant characteristics of the private philanthropic role during this time. These are (1) the growing emphasis on giving for future use, (2) the appearance of important new sources of philanthropic support, (3) the stimulation of important new directions in curriculum, and (4) the sharing of the leadership role with state and federal government. Let us look at each briefly.

Giving for future use. Total giving rose substantially during the period from 1862 to 1902, but the emphasis changed from giving for present use to giving for future use. (Although we have no exact record of the size of this trend, Sears and others make it clear that giving for permanent funds received increased emphasis.) Reliable data on the percentage of total private gifts given for present use are not available until 1910. Figure 3 provides only estimates for the earlier years; these indicate a relative decline in the proportion of giving for present use from more than 60 percent in 1875 to less than 20 percent in 1910. While it is possible that these estimates overstate the trend, the records for this period show that large sums were in fact being given to endowment and for the creation of new institutions.

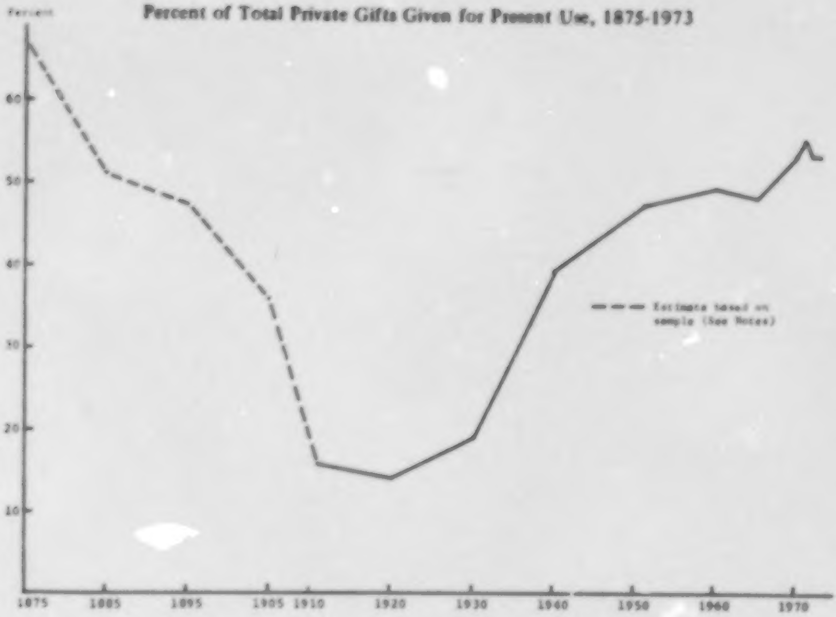
Among the most important of the various forms of giving for future use was building endowment for existing institutions, thereby giving them stability and permanence. A second method was providing funds to create new institutions, among them, Stanford, University of Chicago, Cornell, Johns Hopkins, Wellesley, and Bryn Mawr. As Sears observes, it was then possible for great institutions to literally "spring into existence" as a result of the gifts of a single donor. The appearance of these new institutions, especially Johns Hopkins, marked the transition from an essentially classical and religious curriculum to one directly attuned to the new needs of society. Graduate schools and technical studies (based on the German model) linked higher education to the rapid growth and progress of America during this stage of the Industrial Revolution.

Support funds were still being given by many small donors, but they were being overshadowed by a new dimension in philanthropy – the second distinguishing characteristic of this period.

New sources of philanthropic support. In the years preceding the Civil War most of the private gifts to higher education institutions were relatively small. Their importance needs no further attestation: Through the efforts of small givers, higher education was begun and, with state help, kept alive for almost 250 years. Three new sources of funds then emerged. One was the alumni–more individuals who made relatively small gifts. This group would eventually become an important source of giving. Another form of private support that emerged during this period was the educational foundations. The Peabody Education Fund (1867) and the Slater Fund for the Education of Freedman (1882) were the first foundations active in this field. The third and most important of these new sources, in terms of the size of contributions, was the "new millionaire": Stanford, Rockefeller, and others.

Figure 3

Percent of Total Private Gifts Given for Present Use, 1875-1973



Notes and Sources for Figure 3

Notes

From 1875-1910, using data from a sample of five schools, the calculated overall percentage of private gifts for five-year periods that went towards present use was applied to aggregate figures for "private benefactors." The aggregate figures arrived at were the estimated percentage of total non-capital gifts, in light of no available overall data. Sample: Harvard, Yale, Princeton, Columbia, and Amherst.

Sources

From 1910-1972	U.S. Office of Education, National Center for Educational Statistics, *Digest of Educational Statistics, 1973 edition* (Washington, D.C.: U.S. Government Printing Office, 1973), p. 124.
	U.S. Office of Education, *Higher Education Finances, Selected Trend and Summary Data* (Washington, D.C.: U.S. Government Printing Office, 1968), p. 3.

The individuals who accumulated "great fortunes" in this period began to take an active interest in higher education. Their capital gifts were largely responsible for the trend towards giving for future use noted in Figure 2.

Support for new curricula. During this period, higher education expanded and developed in new directions under the active leadership of private philanthropy. Substantial private giving made secure the idea of education for women; initiated the trend towards scientific agriculture; funded the first true graduate research university; began the development of laboratory teaching; helped to bring the useful arts into higher education; introduced electives into the curriculum; and shaped the new engineering curriculum. In short, even in curricular matters, private giving had the leadership role.

Significantly, when the land-grant colleges began to move into new areas, such as dental and technical schools, private giving helped them get started, too. As early as 1871 private philanthropists began giving funds to the new state land-grant colleges. As noted earlier, Sears reported that land-grant colleges received $285,000 in private gifts.[20]

Sharing the leadership role with government. The Morrill Act of 1862 provided land grants to the states for the endowment of higher education, but the states, not private enterprises, were given the responsibility for maintaining the institutions. This was done to ensure that educational opportunities would be available to the sons and daughters of people of modest means and station in life. Three other pieces of legislation were important in shaping the emerging federal role in this period: (1) the Department of Education Act of 1867 which authorized establishment of the Office of Education, (2) the Hatch Act of 1887 which provided federal Agricultural Experiment Stations, and (3) the second Morrill Act, which was passed in 1890 and provided additional, though modest, subsidy of the land-grant institutions.

Together these actions established that the federal government could support creation and extension of opportunity for education, but that the burden of its maintenance was the obligation of the states. The federal government would support research for national needs like agriculture, but its willingness to support institutions directly would be sharply limited.

By the last half of the nineteenth century, higher education enjoyed the support of individuals, the church, and the state. Their interests were, in the main, complementary, but at times they were competing. Church colleges were somewhat skeptical of both the privately endowed and the state institutions. The wealthy individuals who gave to higher education had strong views of their own and sought in this activity, as in others, to exercise influence. It is not surprising that these funding sources sometimes clashed. (As we observed at the outset, this partnership of private and public effort could hardly have been silent and noncompetitive.)

However, the competition for influence among these funding sources, provided, according to Sears, "... the greatest stimulus to growth and expansion that has been felt by higher education through these years."[21] It helped to open new ventures and hastened change. In Sears' view, the new philanthropic foundations did not set out to compete with the other funding sources, but worked instead to develop partnership relations with these donor groups, who, in turn, were beginning to define their own roles.

A good example of Sears' point about the growth in higher education that occurred because of the active involvement of private and public effort is provided by the efforts to advance educational opportunities for Blacks. The efforts of private groups to help Blacks, which developed into the Freedmen's Aid Associations, proved to be too ambitious for their means. In response to these groups' urging, the Congress in 1865 authorized creation of a Bureau of Refugees, Freedmen and Abandoned Land, which encouraged private groups to establish teacher-training institutions with the aid of government grants and assistance. These cooperative efforts helped to establish Fisk, Atlanta, and Howard universities.

Expanding the scope of individual institutions from a classical and religious curriculum to a scientific curriculum was costly. But it was this expansion which attracted public interest. Higher education was no longer only indirectly related to the nation's problems. With the legitimacy of the useful arts curriculum established, the public interest could be more directly connected to the educational curriculum.

After the Morrill Act, public support began to grow and to help meet the expenses of a more complex curriculum.

Private funds and private institutions, though in declining proportion, led the way in curricular reform, teaching excellence, and scholarship. Public funds facilitated these improvements in all parts of the country and made them available to more people.

The Era of Organized and Professional Philanthropy, 1902-1950

Philanthropy, much more than the institutions it supported, underwent many important changes during the first half of the twentieth century. It became well organized and truly professional. This period witnessed the emergence of professional fund raisers, alumni campaigns, special fund drives, and the "philanthropoids."

In this period, as in the earlier ones, the single donor remained a highly important part of private giving. (A single donor launched the University of Miami in 1925 and the University of Houston in 1937.) Smaller scale individual giving was given increased importance through the organizations of alumni.

President Charles W. Eliot of Harvard (1869-1909) is generally credited as one of the first to solicit alumni support formally. In his inaugural speech, Eliot reminded alumni of "the debt which they owe, not to the college but to the benefactors whom they cannot thank, save in heaven." The establishment in 1913 of the Association of Alumni Secretaries gave alumni an opportunity to acknowledge that debt somewhat sooner. This association was followed by others: the Alumni Magazine Association (1915); the Association of Alumni Organizations (1925); and the American Alumni Council (1927). The leadership and efforts of these organizations were enormously effective in stimulating alumni support, a form of support that remains one of the most important single sources of private giving to higher education.

Another organized philanthropic effort during this period was the creation of private professional fund-raising firms, the first of which was formed in 1919 and became a highly successful force in raising private funds for higher education. Special campaigns and special bequest programs were also developed.

Still another example of organized private giving was the Council of Church Boards of Education, which was created in 1911. Although the Church Board itself was a long-established philanthropic agency, the new Council of Church Boards of Education was a cooperative organization comprised of the church colleges that had adopted a declaration of principles which included standardization and better distribution of denominational institutions.

Corporate giving also came into prominence during this period. The Dupont Company began giving to a program in higher education in 1918. It was followed by General Electric, Sears Roebuck, and later, Allied Chemicals. As early as 1935, Congress, under the charitable deductions clause, allowed corporations to deduct up to 5 percent of their net taxable income for charitable contributions. Although the legal grounds for corporate gifts to higher education were not firmly established until the 1950s, corporate giving has been a highly important source of funds since the introduction of the Revenue Code of 1935.

The income tax laws that stimulated corporate giving during this period were highly important to all areas of private philanthropy, including individuals and foundations. In 1936, Henry Ford and his son, recognizing that inheritance taxes would probably force the sale of their Ford company stock, established a philanthropic agency as a means of maintaining a measure of family control of the company. The foundation enabled them to bequeath their common holdings to avoid estate taxes – and thus was created The Ford Foundation, which later became the world's largest philanthropic organization.

It was during these years that foundations became highly important as a form of professional giving. The trend towards organized professional philanthropy begun in the previous century by Peabody and Slater gained momentum in 1902 with the formation of the Carnegie Institute, aimed at encouraging "investigation, research and discovery [in] the broadest and most liberalized manner." The following year, the Rockefeller General Education Board was created with purposes as general and flexible as those of the Carnegie Institute. In 1905 the Carnegie Foundation for the Advancement of Teaching was founded, and in the next few years the Russell Sage Foundation and the Phelps-Stoke Fund were established. The first community foundation, the Cleveland Foundation, was established in 1914, beginning still another important form of organized professional philanthropy with a local emphasis.

Emphasis of organized philanthropy. While a few large private givers were still providing funds for the creation of institutions during this period, corporate gifts and alumni efforts were primarily aimed at supporting the ongoing operation of the institutions. The new foundations established their own direction. Like the smaller givers, they did not establish new institutions but focused mainly on helping those already established. The foundations, however, gave rise to the "philanthropoid," the professional who made a career of giving and adding external knowledge to directing funds to their most effective use and who set out specifically to encourage reforms and new experiments rather than provide general support.

Foundation giving was thus both specific and concentrated. A survey in the 1920s revealed that the five largest foundations gave about 86 percent of their funds to 36 percent of the 1,000 or so existing institutions. This concentrated giving for specific purposes, sometimes called "venture capital," characterized a majority of foundation giving. The proportionate role of the foundation was substantial. It has been estimated that at one point early in this period, annual appropriations of the Carnegie Corporation reached 1/15th of the current fund income of all institutions of higher education, although by 1940 that figure had been reduced to about 1/140th.

The direction and consequence of private giving. Private philanthropy is generally credited with transforming many institutions during this period from ordinary colleges into distinguished universities. Experiments, such as women's education, were in their final stages, and although some single-donor institutions were established during this period, most philanthropies focused on improving existing institutions and programs.

One of the most important contributions to higher education in its entire history occurred early in the 1900s. Carnegie was impressed with the need to improve faculty compensation as an incentive to improve teaching. He set up the Carnegie Foundation for the Advancement of Teaching to provide the first retirement plan for faculty.

This pension plan, which survives today, was itself a significant improvement. But its first administrator, former MIT President Henry S. Pritchett, used the plan as an incentive to make badly needed reforms. Among the criteria for participation in the plan was the adoption of more uniform admission standards and unit credit systems designed to facilitate comparisons of institutional offerings. Pritchett also established the controversial requirement that participants dissociate themselves from any church control. The effect on the standards of American higher education were profound. Many institutions, unable to meet the basic faculty, academic, and financial structure requirements, soon folded. Others, like Connecticut's Wesleyan, were unwilling to pass up the opportunity to improve their faculty and permanently eliminated denominational control.

Another important new direction of private giving was the attempt to improve the education of Blacks. Although, as we have seen, such efforts actually began before the end of the Civil War, there was still a desperate need for private assistance in the early 1900s. The General Education Board, among others, made a $5 million gift to Fisk University. In September 1924 the Colleges of Hampton and Tuskeegee began a joint campaign for more funds, assisted by John Price Jones Company, the first professional fund-raising company ever established. In the 1940s the United Negro College Fund was created by 27 private accredited Black colleges.

The first half of the century saw continued rapid growth of higher education and the emerging dominance of the university. Private sector giving continued to grow in absolute terms, but declined relative to the steady growth of public sector giving. There was far more business involvement in philanthropy, and private giving became effectively organized through alumni campaigns, specialized fund drives, and foundation programs.

The states' role was one of continuing the basic support for operation and expansion of their own institutions of higher education. The federal government launched several specialized programs for vocational rehabilitation and various education programs in response to the Depression. In 1935 it began to expand its role in research with passage of the Bankhead-Jones Act, which helped major states to finance agricultural experiment stations, and the National Cancer Institute Act, which established the Public Health Service Fellowship Program.

But the most important piece of legislation was the 1944 Servicemen's Readjustment Act, popularly known as the G.I. Bill of Rights. The program, which in its 12 years of operation enabled several million World War II and Korean War veterans to attend college, was a milestone in America's transition from elite to mass higher education. Throughout this period, there was a broadening of the definition of who should have access to higher education. While philanthropy was improving private institutions, it also combined with state initiatives to develop public institutions that could serve a wider spectrum of society in accordance with the economy's expanding demand for college-educated manpower. But it was the massive student-aid expenditures of the federal government under the G.I. Bills that were responsible for opening up higher education to the average citizen.

The government role during this period was, at the state level, continuing the basic support for operation and expansion of higher education and, at the federal level, slow beginnings of efforts to purchase the research services of institutions and dramatic extension of access through the passage of the G.I. Bills. The private role diminished in terms of the creation of private institutions by single donors, but it expanded most significantly with the emergence of focused philanthropic effort through alumni and other associations, organized fund-raising drives by professionals, the emergence of business corporation giving, and, finally, the well-organized professional philanthropic foundation. The focus of this giving was the operation of institutions and their sustenance. For the foundations, the focus was reform and program development.

Defining a Unique Role, 1950-1975

The quarter century after World War II was the period of greatest concentrated growth in higher education and in public sector support of these institutions. During the 1960s alone, enrollments and expenditures for higher education more than doubled. Indeed, in some aspects higher education grew more and raised and spent more money in the 10 years from 1958 to 1968 than it had in all of its previous history.

The trends in private giving that were established in the first half of the century continued during the next 25 years but reached a point of reevaluation. The single donor continued to be important as a source of support for ongoing institutions but not as a source for creating new institutions. Corporate giving became more important. Previous business giving had been constrained by the need to show specific stockholder benefit, but this requirement was eliminated in a New Jersey Supreme Court case *(A.P. Smith Manufacturing Co. v. Barlow)* in 1954. Frank Abrams, who later founded the Council on Financial Aid to Education, had arranged to bring the suit as a test case for the legality of corporate charity without direct stockholder benefit. Thereafter, business firms were allowed to give funds for unrestricted purposes (although debate on the wisdom of unrestricted giving has reemerged). Professional fund raising continued to grow in importance as did organized alumni giving. Although alumni giving was shaken by the student unrest in the late 1960s, it remained important during the period and actually expanded for the new public institutions. Foundations' contributions grew as well, led by the reorganization of The Ford Foundation as a national philanthropy in 1950. Foundations helped to confirm the role of universities in providing research essential to progress.

It should be stressed here that during the last 25 years the roles played by the public and private sectors in higher education became more clearly identified and differentiated that at any previous recent point in the history of education. Thus, the states and local governments were the basic supporters of public higher education, and the states also became the planners and coordinators. The federal government was clearly established as the purchaser of educational services and as a basic supporter through aid to students. The federal government promotes equal economic opportunity by aiding access and it also buys specialized services to meet certain of its national objectives.

The private role was that of innovator, developer, and sustainer of diversity in the private sector. The great growth of federal and state roles raised the question near the end of this period of whether private funds were any longer an essential part of the funding of higher education. That question was prompted by the fact that private funds had come to represent a small fraction of the total expenditures for higher education. This, in turn, was used as a basis for asking whether private philanthropy warranted the favorable tax treatment given the charitable deduction and, furthermore, whether the whole field of private philanthropy is some type of "shadow" government in which private dollars, instead of government, actually direct activities.

The debate during this period about the private role stressed that private philanthropy actually relieves government of certain financial burdens and that since it does not enrich the giver, it is an important aspect of our pluralistic system which has a liberalizing effect on government policy and makes a unique contribution to higher education. In Chapter III we analyze the structure of private philanthropy in higher education and in Chapter IV we examine what its unique contribution might be. Before doing so, however, we turn to a comparison of private and federal expenditures.

II

COMPARISONS OF FEDERAL AND PRIVATE PHILANTHROPIC EXPENDITURES IN HIGHER EDUCATION

For the first 300 years in American higher education, private philanthropic support far exceeded federal government support. The early important federal actions—the various land grant incentives to states—did not involve the expenditure of very much money. In fact, except for agricultural research, federal expenditures had relatively little effect on institutions until World War II.

During the brief 35 years that federal activity has been significant, it has been characterized by two not entirely distinct phases: the use of institutions to achieve specific national purposes, such as defense, trained manpower and health; and the extension of student access to enhance social equity. Although private and public expenditures have, to some extent, been used for similar purposes, the most consistent difference between philanthropic and federal support is that the former has been primarily concerned with the sustenance of institutions while the latter has been concerned with the use of institutions for specific national purposes.

During World War II, federal expenditures on higher education purposes permanently surpassed those of private philanthropy. By 1973, federal outlays exceeded $8 billion, compared with less than $2.25 billion from private philanthropy.

Of the more than $30 billion spent on higher education in 1972-73, the federal share (including student tuition aid and some $1 billion for living expenses) was more than 25 percent.[22] In contrast, the private philanthropic share (including the Carnegie Commission on Higher Education's estimated $50 million in private support of students administered outside institutional budgets) was only 8 percent.[23]

Table 3

1971-72 Selected Current Fund Revenues[a]

	All Institutions		Privately Controlled Institutions	
	(in millions)	(% of total current fund revenue)	(in millions)	(% of total current fund revenues)
Total Selected Current Fund Revenues	$19,224		$ 8,175	
Total Private Contribution	1,918	8%	1,458	17%
Total current fund income	1,209	5	885	10
private gifts [b]	765		674	
sponsored research	274		138	
other sponsored programs	170		73	
Endowment income	481	2	426	5
Total student aid	228	1	147	2
gifts and grants	148		78	
endowment income	80		69	
Tuition and Fees	5,594	21	3,282	36
Total State and Local Contributions[b]	8,232	31	230	2
Total Federal Contribution	3,480	13	1,225	13
federal "state-channeled" sponsored research and programs[b]	3,098	12	1,081	12
student aid	382	1	144	1

a. Total 1971-72 current fund revenue was $26.234 billion for all institutions and $9.154 billion for privately controlled institutions. Dollar figures in table represent only selected sources of revenue. Percentages are based on total revenue.

b. Does not include recovery of indirect costs.

Source: U.S. Office of Education, "Financial Statistics on Higher Education," 1971-72

Table 3 compares the various sources of current fund income for all institutions of higher education with those of privately controlled institutions in 1971-1972, the last year for which complete data are available (see note on data sources at the end of Chapter III). In both cases, federal funds provided 13 percent of current fund revenue. Current and past philanthropy accounted for 8 percent of revenue in all institutions and 17 percent in private institutions. The federal share is vastly understated here because the U.S. Office of Education's Higher Education and General Information Survey, from which the data are taken, is limited to receipts of institutions. It does not reflect, for example, federal expenditures for student aid through the Veteran's and Social Security Administrations, most of which are accounted as current fund student tuition and fees, which now exceed $4 billion. The importance of philanthropy to the current fund income of all institutions is also understated because of the inclusion in this category of institutions that receive no philanthropy. Hans Jenny has shown that for institutions that report gifts, the

Table 4

The Dependency Factor: Gift and Endowment Income as a Percent of Total Expenditures, Per Reporting Institution, 1972

Type of Institution	Public	Private
Major research universities	4.3%	16.3%
Other research universities	3.1	13.6
Large doctoral granting institutions	4.9	15.9
Small doctoral granting institutions	2.3	15.1
Comprehensive colleges I	2.2	9.7
Comprehensive colleges II	9.6	16.5
Selective liberal arts colleges		21.2
Other liberal arts colleges	1.1	22.2
Two-year institutions	3.7	24.6
Seminaries, etc.		80.4
Medical schools	5.7	6.0

Source: Hans H. Jenny, "Philanthropy in Higher Education: It's Magnitude and It's Influence on College and University Finance," paper prepared for the Commission on Private Philanthropy and Public Needs, 1975.

dependence on philanthropy is considerably greater than 8 percent. (See Table 4.)

It is difficult to compare federal and philanthropic share of plant fund income because good data are not available. The Office of Education estimates federal expenditures in 1971-72 to be about $4.7 billion.[24] Estimates for federal outlay in that year for facilities and equipment, exclusive of research, vary from about $400 million to $491 million.[25] It is estimated from CFAE data that private support for plant and equipment was about $394 million.

The federal government also supports higher education by providing various tax incentives for philanthropy, students, and their parents. These are now commonly called "tax expenditures," reflecting the belief that tax incentives are foregone revenue and thus a federal expenditure, however indirect. A policy of tax expenditures based on the decisions of individuals can be contrasted with the somewhat more direct higher education support by the Veteran's and Social Security Administrations and the very direct support by education and research agencies.

It is estimated that total tax expenditure in support of higher education is $1.5 billion. This figure includes $190 million in scholarships and fellowships not taxed as income, $690 million in exemptions for the parents of enrolled students, and $590 million from the charitable deduction.[26] This last figure represents almost 25 percent of the total philanthropic support of higher education. Without entering the debate whether potentially collected tax revenue is "government money," it is clear that federal tax policy represents substantial, though indirect, support of higher education.[27]

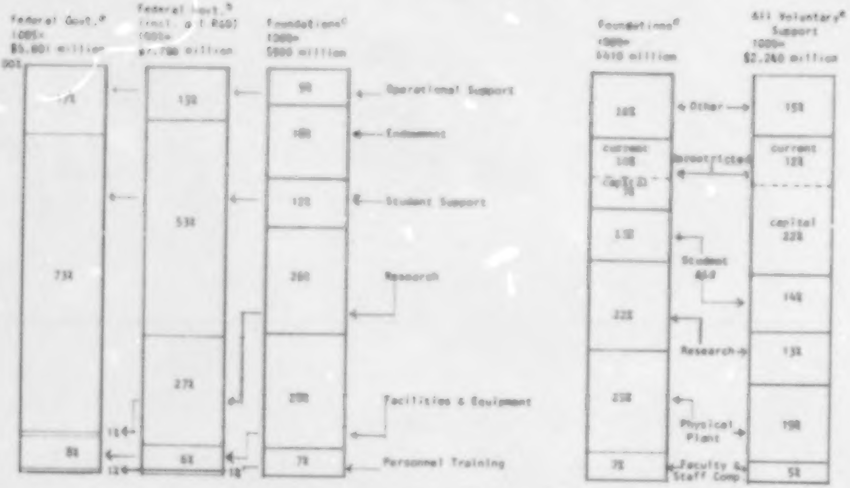
Federal and Private Expenditures Compared

An analysis of expenditures reveals that federal and philanthropic sources have very different preferences and importance not reflected in the 3–1 ratio of total expenditures.

Figure 4 compares federal priorities in higher education with those of foundations and all philanthropic sources. Federal priorities are quite different from those of private philanthropy, although it is difficult to quantify the difference precisely, as the categories for the two sources are not completely comparable.

Figure 4

Percentage Allocation of Federal and Voluntary Expenditures in Higher Education by Purpose, 1973



Sources: Bourque (1974); National Science Foundation (1974); Council on Financial Aid to Education

Source Notes for Figure 4

a. Data from U.S. Office of Management and Budget. These data appear in Bourque (1974). Research includes only that which is education related.

b. The total federal outlays in Column 1 have been augmented here to include all federally sponsored research and development at colleges and universities (estimated to be $2,030 million by The National Science Foundation (1974)).

c. From Bourque (1974) who extrapolated data from a sample of foundation grants taken from the Foundation Center's monthly grants index. Consistent with the graph of federal expenditures, research includes only education-related research.

d. From the annual survey of institutions by The Council on Financial Aid to Education (1974), in *Voluntary Support of Education, 1972-73.* This estimate includes only philanthropy received as income by institutions.

e. From The Council on Financial Aid to Education (1974) *Voluntary Support of Education, 1972-73.* This estimate includes only philanthropy received as income by institutions.

Thirteen percent of federal support is for operational support while 12 percent of private support is current unrestricted support, presumably used for operating purposes. The federal government does not provide unrestricted capital support; philanthropy does, and the income from this type of support is also generally used for operating purposes. Combined current and capital unrestricted private support is 34 percent of total private giving. Just as operating support is a lower priority for federal than for private sources, so too is support for non-research facilities (6 percent of federal support compared with 19 percent of private support).

Except for foundations, private philanthropic interest in research is low compared with the heavy federal expenditures by the Departments of Defense and Agriculture, the National Institutes of Health, and the National Science Foundation. Student support is also a relatively low priority of philanthropy, although philanthropic support is slightly understated by the ommission of aid to individuals. Philanthropy, unlike the federal government whose faculty support is only for special training, has provided faculty salaries and endowments for professorships.

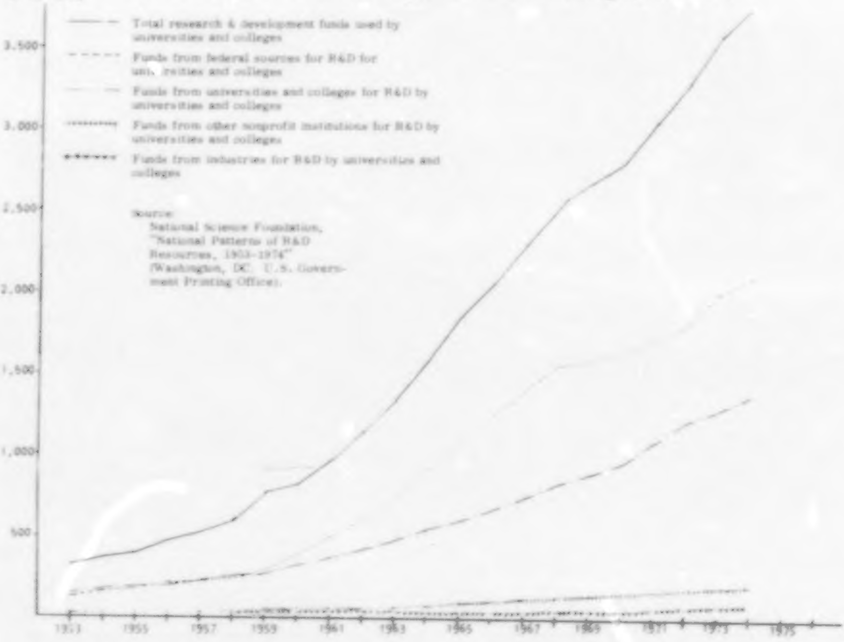
Importance of Federal and Private Sources to Higher Education Purposes

Because of the limited federal role for unrestricted operational and plant support, private sources are most important in these areas. College and university presidents consistently avow the relative importance of private unrestricted operational and plant support. The quality of education at all private institutions is dependent on private support of this kind. And many public institutions as well depend on private giving to gain a measure of quality not possible with state funds.

As noted earlier, federal outlays in 1972 for facilities and equipment (exclusive of research) are estimated to be in the range of $450 million. Estimates of private support for plant and equipment are about $394 million. Plant fund income (including transfers from current funds) is estimated at $4.7 billion for 1973; thus federal and private sources are estimated to contribute about 10 percent and 9 percent, respectively.

Figure 5

Sources of R & D Funds Used by Universities and Colleges, 1953-1974

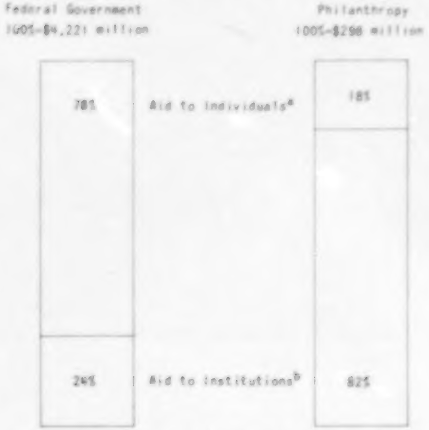


Source:
National Science Foundation, "National Patterns of R&D Resources, 1953-1974" (Washington, DC: U.S. Government Printing Office).

In the area of research, however, federal support greatly exceeds private support. Figure 5 shows the relative importance of sources of research income to colleges and universities from 1953 to 1974.

Figure 6

Federal and Philanthropic Student Aid to Institutions and to Students Directly, 1972-73



a. Includes scholarships, fellowships, interest subsidies, and living expenses.
b. Federal portion includes student aid which passes through state governments.

Sources: Data compiled from U.S. Office of Management and Budget, *Special Analyses of the Budget of the United States Government, Fiscal Year 1975, Analysis H* (Washington, DC: U.S. Government Printing Office, 1974); Council on Financial Aid to Education (Survey, 1972-73); Carnegie Commission on Higher Education, *Higher Education: Who Pays? Who Benefits? Who Should Pay?* (New York: McGraw Hill Book Co., 1973).

Similarly, federal support of students dwarfs that of private sources, as illustrated in Figure 6. Federal student aid to institutions is about 25 times as large as private support. But federal aid to students directly is about 800 times that of private support, $4 billion (including non-tuition support) compared with $50 million. As Figure 6 shows, the federal government tends to channel aid directly to students, while philanthropy allows institutions to administer most of its student aid.

Importance of Federal and Private Sources to Different Types of Institutions

The relative importance of private and federal funds differs among types of institutions. In the aggregate, federal funds are equally important to public and private institutions, while philanthropy is twice as important for private institutions as it is for public institutions. Small liberal arts colleges are far less dependent on the federal government than are universities who perform research. The small schools are heavily dependent on unrestricted philanthropy, however. Institutions with graduate programs are more dependent on federal funds than those without such programs. At the extremes, religious colleges and service academies are almost completely dependent on their respective benefactors.[28]

Quality of Support

Federal expenditures in most categories are considerably larger than those of private philanthropy, but quantitative comparisons do not reveal possible differences in the quality of support between public and private sources. Although these differences cannot be measured, college and university administrators report that they are in fact real. In a survey of 1,251 public and private institutions, the number of administrators who believe that federal support has become less flexible in the last 8 years is twice that of those who believe federal support has become more flexible.[29] In contrast, twice as many consider individual private sources and foundations to be more flexible as those who believe they have become less flexible. Interviews with both university administrators and faculty show that, given a choice, private funding is preferred in most cases.

The explanation of these views is complex and depends on the funding sources. Somewhat oversimplified, it is that private sources are more flexible, receptive, responsive, easier to deal with, and less threatening than federal sources which are hampered by ponderous bureaucracy, rigid guidelines, and underlying politics. It is true that platitudes about the "dead hand" of government have still not been corroborated by a persuasive empirically supported theory. It is possible, however, to suggest good reasons why the relative strengths and weaknesses of both government and philanthropy in education have been demonstrated often enough to justify those platitudes.

Structure of the sources of support. Government resources are great, but the decision-making process controlling these resources tends to be centralized. After a refusal from agencies such as the National Institute of Education or National Science Foundation, there is usually no other agency to turn to. All the responsibility for particular types of support is vested in one office, operating under one interpretation of relevant legislation and one set of decision criteria. The availability of a diverse and dispersed source of funding is a distinct advantage of philanthropy, despite its relatively few resources.

The exigencies of small-and large-scale organization. Federal bureaucracies, even those dedicated to research monitoring, tend to be large and consequently require standard operating procedures if they are to function effectively. Yet while beneficially reducing uncertainty and increasing control, these procedures also become constraints on responsiveness. Organization routines which enhance internal control often look like red tape to the client. And the large number of higher education clients generally precludes a case-by-case analysis of proposals that are exceptions to guidelines. Furthermore, favorable decisions on exceptions are risky for the administrator when authority is decentralized. When exceptions are granted under centralized authority, there is an invitation to complaints of partiality.

Philanthropic individuals and organizations, on the other hand, tend to be small scale, permitting a more personal relationship between the source and the user of funds. Reaction to changes in needs can be faster, case-by-case analysis more acceptable, and receptivity to complex explanations and justifications of needs less risky. The flexibility of private support and the type of relationship which evolves between donor and donee is often more attractive than the wealthier but more bureaucratic government support.

In addition to acquiring characteristics of large organizations, one result of increased scale and expenditure of federal agencies has been the increased scale and expenditure of individual projects. In the growth period after World War II, there were considerable amounts of unrestricted research funding available, reflecting the huge confidence in decentralized science activities generated during the war. Beginning in the late 1950s, federal priorities crystallized. Major projects like space exploration, the maturation of the administering bureaucracies, and the forced choices among competing projects tended to squeeze out unrestricted, ad hoc project funds from the budgets. It is far more difficult now for small-scale proposals and less-established areas of scientific inquiry to successfully obtain federal support.

Exigencies of politics. Legislators are in both the general public's and the educational professionals' eye; the implementing bureaucracies are at least in the professionals' eye. As a result, decisions tend to be more egalitarian, and less risky.

Egalitarianism results from the demand for equal treatment by a long line of potential (usually unequal) clients; good politics is to supply at least something for everyone. Formula distribution schemes–impersonal and ignorant of special cases–are the best way to allocate resources to everyone and avoid complaints of unfair judgments. The agricultural grants to state colleges under the Hatch Act and other acts are allocated by formula: Institutions do not compete with one another, thus the more effective programs cannot be awarded a larger share. While egalitarianism is an important feature of American political traditions, it often results in misallocation when political expedient rather than program effectiveness becomes the criterion for expenditure.

Politics also inhibits admission of failure and of risk. Policies are slow to change if that change spotlights preceding failure. Federal programs seem both to avoid risk and to be oriented toward immediate results. It is important for descretionary decisions to avoid embarassment and to result in success as soon as possible.

The growth of and lack of focus in federal research funding after World War II allowed sponsorship of a wide variety of research efforts, including many that were wasteful. As the total federal budget tightened, so too did competition for federal research funds, creating more intense politics within the science community. As a result, federal money has tended to focus on specific problems using established researchers, making it more difficult for new scientists and projects in areas peripheral to major federal priorities to receive support.

Philanthropy is far more politically insulated than either Congress or government agencies; and by virtue of its smaller scale, is able to avoid internal politics more easily, though not entirely. Thus private philanthropy can be more responsive to changes in clients' needs and can accept projects whose benefits are both less certain and less immediate than federal agencies are usually willing to accept.

Government has two main strengths–the magnitude of its resources and the bureaucratic experience of efficiently dispersing large sums of money to large numbers of recipients using fairly simple formulas. But as government adds more complex, less quantifiable eligibility and selection criteria to its distribution formulas, its actions cause greater and greater dissatisfaction. Philanthropy's strength lies not in its magnitude but in the very selectivity, attention to special cases, and exceptional decisions which are so difficult for public agencies.

This is not to say that philanthropy is without faults. It is claimed that philanthropy represents a narrow set of interests and purposes because the social class and economic ideology of most philanthropists is the same. Philanthropy is criticized for imposing its priorities on institutions by exercising financial leverage. Large foundations, perhaps because they have the largest programs, draw the heaviest of criticism–for funding only innovative, untested, uncertain ideas and thereby encouraging dilettantism and adventurism in higher education; for making grant decisions capriciously, without rational basis; for requiring grant proposers to wade through large inspecific bureaucracies; for beginning projects without adequate plans for securing additional funding when the initial commitment is fulfilled.

Some criticisms are peculiar to individual recipients or philanthropists and some are general; others parallel complaints of government programs. The consensus remains, however, that while government is able to spend more money and reach more institutions than philanthropy, philanthropy still does more to provide flexibility, autonomy, and diversity. It is upon the distinctive competencies of each sector that public policy should be based.

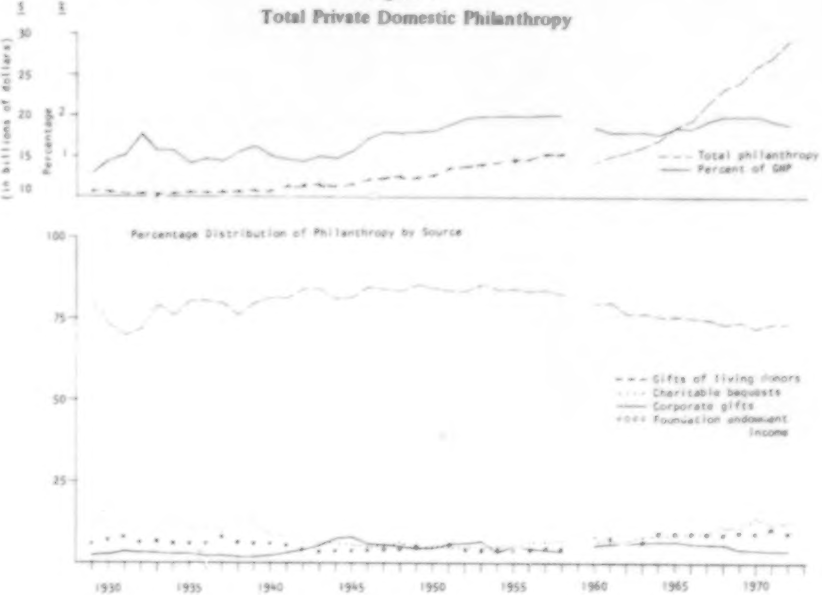
III

THE STRUCTURE OF PRIVATE SUPPORT OF HIGHER EDUCATION

Total Philanthropy and Higher Education

Total U.S. domestic private philanthropy[30] has risen steadily during the last 50 years, along with the Gross National Product. The proportion of GNP devoted to philanthropy rose from 1.3 percent in 1929 to a high of 2.1 percent in 1958, then declined to 1.9 percent in 1973. (See Figure 7.) At the same time, however, the proportion of total domestic philanthropy devoted to higher education has declined substantially over the past 50 years, from 14.2 percent in 1930 to 9.4 percent in 1973. (See Figure 8.) Given the great growth in total dollars contributed, however, the absolute amount of voluntary support has risen fairly consistently. (See Figure 9.)

Figure 7
Total Private Domestic Philanthropy



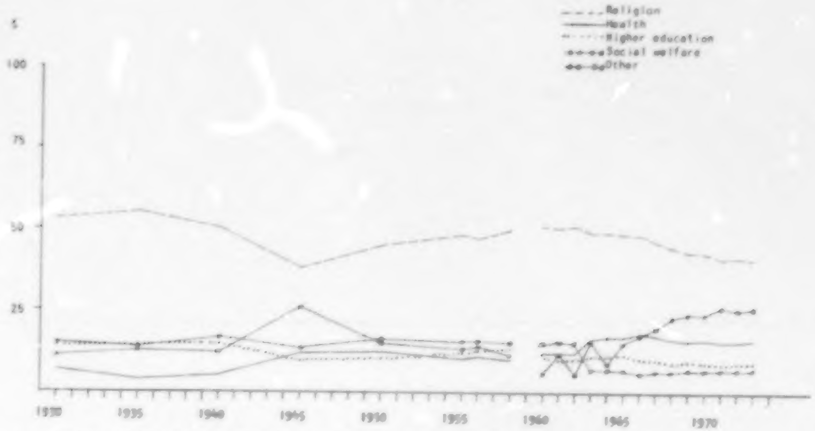
Sources: 1929-58, Frank G. Dickenson, *The Changing Position of Philanthropy in the American Economy*, National Bureau of Economic Research (New York: Columbia University Press, 1970); 1960-72, American Association of Fund-Raising Counsel.

Sources and Purposes of Private Support of Higher Education

Annual surveys by the Council on Financial Aid to Education make it possible to analyze private support in considerable detail. The CFAE data are broken down into two categories: sources of support and purposes to which the support is put. The sources consist of alumni, non-alumni individuals and families, foundations, businesses and their foundations, religious denominations, non-alumni, non-church

Figure 8

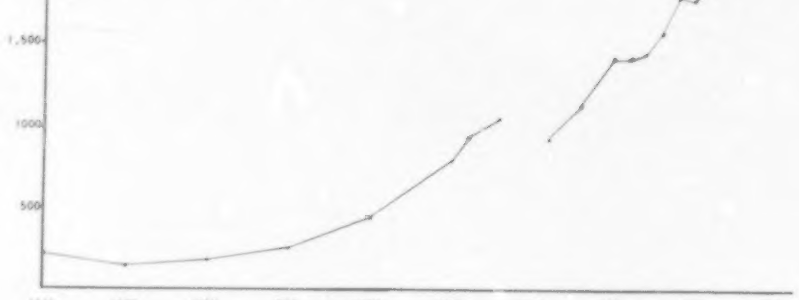
Percentage Distribution of Purposes of Private Domestic Philanthropy, 1930-1973



Sources: 1930-58, Frank G. Dickenson, *The Changing Position of Philanthropy in the American Economy*, National Bureau of Economic Research (New York: Columbia University Press, 1970); 1961-73, Council on Financial Aid to Education.

Figure 9

Total Voluntary Support of Higher Education, 1930-1973



Sources: 1930-58, Frank G. Dickenson, *The Changing Position of Philanthropy in the American Economy*, National Bureau of Economic Research (New York: Columbia University Press, 1970); 1961-73, Council on Financial Aid to Education.

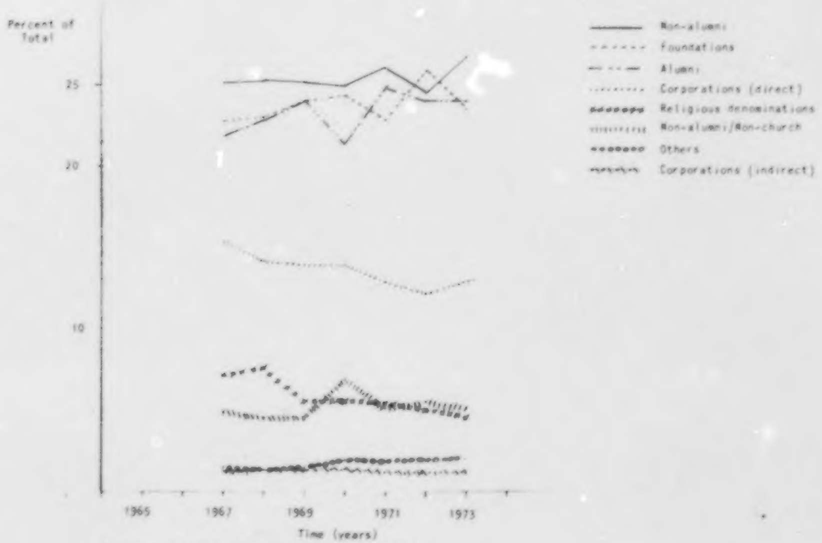
groups, and others. Purposes include current operating or capital spending for unrestricted purposes, operation and maintenance of plant and equipment, research, student aid, and faculty and staff compensation. The data permit analysis over the past seven years of the preferences for various purposes by categories of supporter.

Sources and Preferences

While total voluntary support has increased modestly but consistently over the past 7 years (Figure 9), all sources have maintained their relative shares of total support during the period with fluctuations of no more than 5 percent from year to year (Figure 10). Non-alumni individuals, alumni, and foundations are the most important sources, with each representing about 23 percent of the total. Business, at about 15 percent, is next, with the remaining sources all below 8 percent.

Figure 10

Percentage Distribution of Voluntary Support of Higher Education by Source, 1967-1973

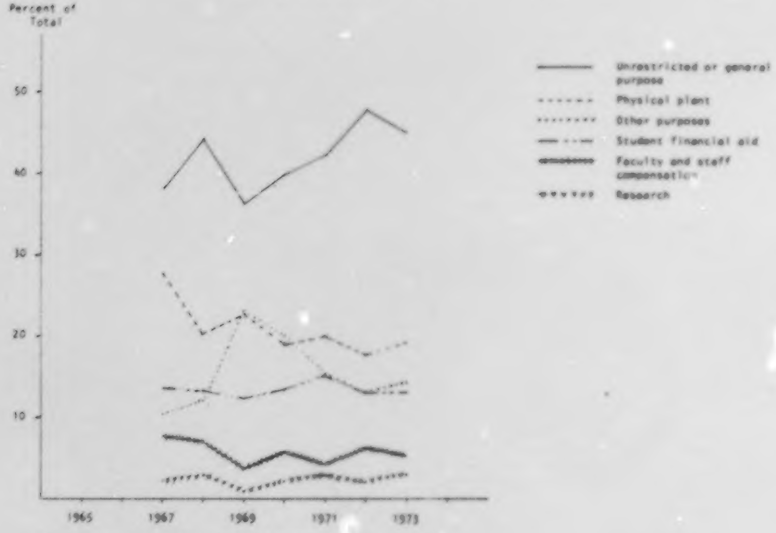


Source: Council on Financial Aid to Education

The preferences of individual sources for purposes are not identical. All of the four major sources do contribute for each of the purposes, however, although unrestricted and plant purposes tend to be most important. (See Figures 11, 12, 13, and 14.) Plant is a declining priority, relatively, for all sources. Foundations and businesses accord a higher priority to research than do other sources, while alumni and non-alumni are more concerned with student aid than are foundations and businesses. With the exception of plant operation and maintenance, each of the purposes has maintained its relative share of the spending of each of the major sources.

Figure 11

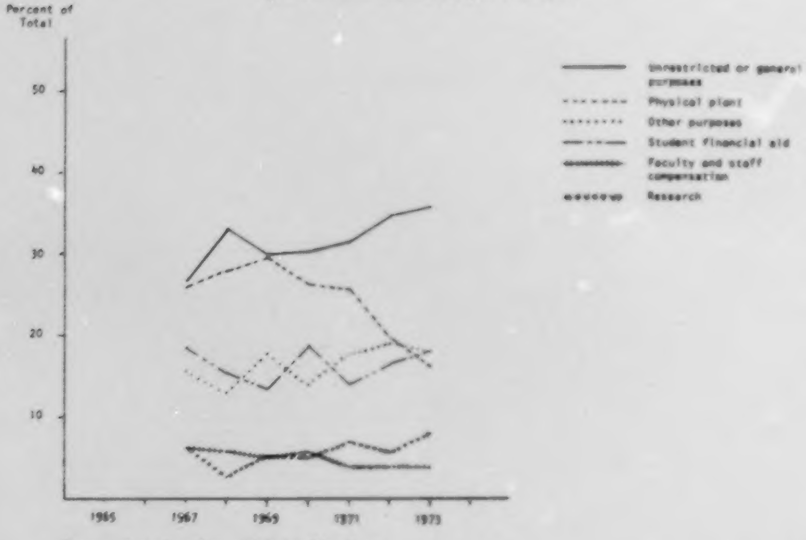
Percentage Distribution of Alumni Support of Higher Education by Purpose, 1967-1973



Source: Council on Financial Aid to Education.

Figure 12

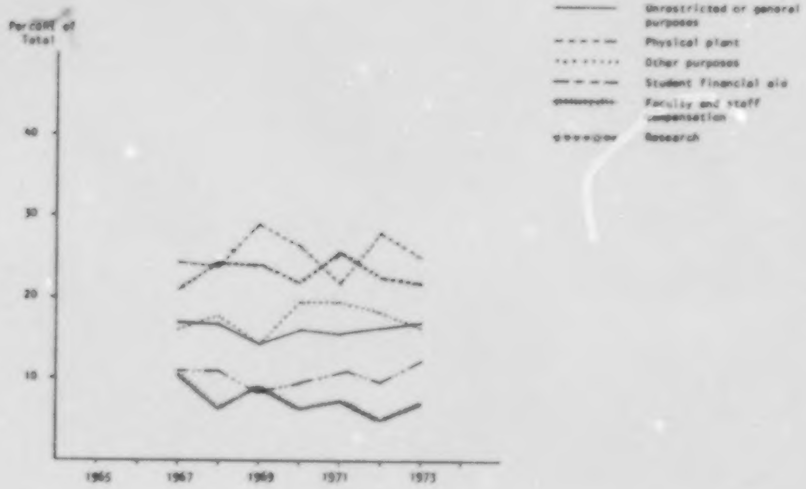
Percentage Distribution of Purposes of Voluntary Support of Higher Education by Other Individuals and/or Families



Source: Council on Financial Aid to Education.

Figure 13

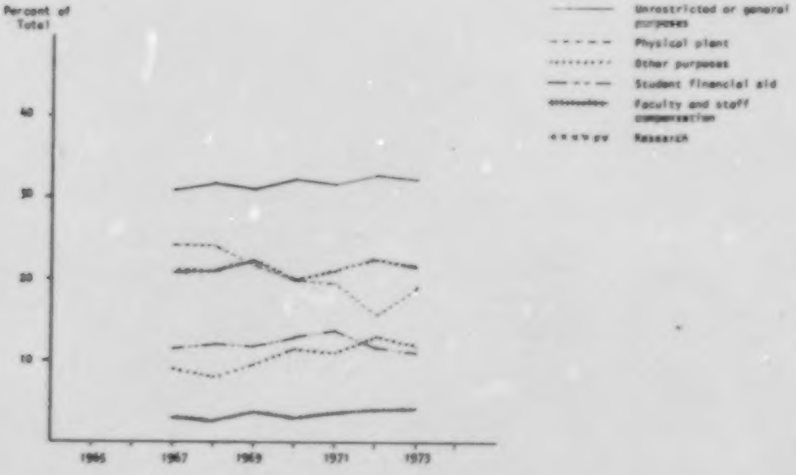
Voluntary Support of Higher Education by Foundations



Source: Council on Financial Aid to Education.

Figure 14

Voluntary Support of Higher Education by Corporations (Direct and Indirect)

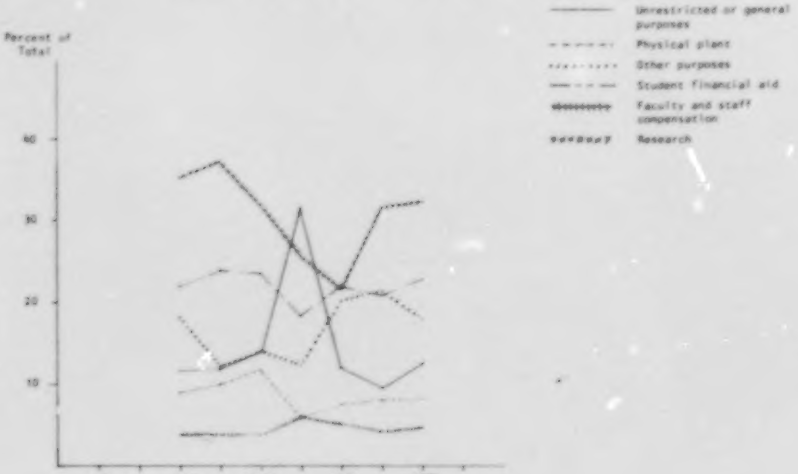


Source: Council on Financial Aid to Education.

The preferences of the remaining sources are shown in Figures 15, 16, and 17. Religious organizations spend almost all of their money on unrestricted operating purposes and plant, with the percentage for current purposes rising over the period. The other two categories are heterogeneous and are less consistent in their choices of purposes.

Figure 15

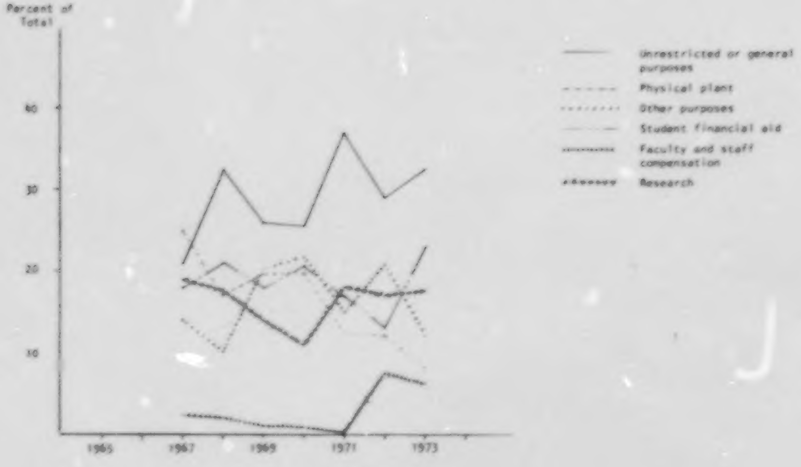
Voluntary Support of Higher Education by Non-Alumni, Non-Church Groups



Source: Council on Financial Aid to Education.

Figure 16

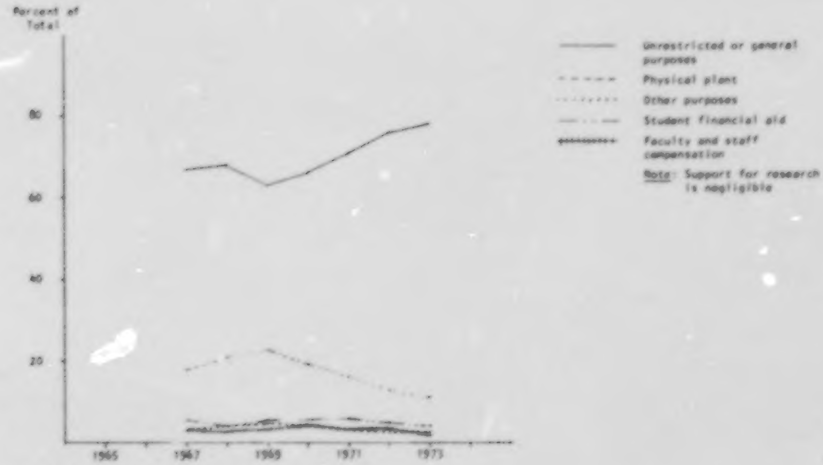
Voluntary Support of Higher Education by Other Voluntary Sources



Source: Council on Financial Aid to Education.

Figure 17

Voluntary Support of Higher Education by Religious Denominations



Source: Council on Financial Aid to Education.

Sources and Reasons for Giving

Private money, time, and energy have supported higher education since before the American Revolution. The reasons are diverse and often personal rather than general. However, the current motives for the various categories of supporter can to some extent be classified (often categories of donors overlap: foundation executives are usually alumni; alumni may also give as non-alumni to other institutions).

Alumni contribute primarily because they desire the continued well-being of institutions which have served them in the past. For some institutions, the annual giving campaign represents the difference between continuity or collapse. Alumni are persuaded that their funds are necessary to maintain or to increase quality. Alumni themselves benefit to the extent their alma mater sustains a favorable reputation.

Non-alumni and families are involved in the support of higher education for reasons related to their faith in higher education as a means to an improved society. In some cases, gifts are expected to benefit a region by some addition to or operating support of a particular college; in other cases such as the support of research, the impact is expected to be national. It should be noted that whereas alumni givers tend to be numerous and diverse, non-alumni tend to be a few wealthy families whose expenditures tend to be large.

All individuals, alumni or other, tend to support higher education for its own sake, or in the belief that higher education is the best means to achieve some broader cultural, social, or technological purpose. In keeping with that spirit, these two sources of private funds, more than others, prefer giving for general unrestricted and capital purposes. It should be noted, however, that alumni participation rates are not overwhelming; although the absolute number of alumni who contribute is large (over 2.3 million in 1972-73), the participation rate in annual alumni contribution campaigns is estimated to be only 17.6 percent.[31]

Table 5

The Importance of Property, Large Gifts, and Gifts From Individuals to Institutions of Higher Education, 1970-71

	Property gifts as a percent of total voluntary support	Large gifts (over $5,000) as a percent of total voluntary support	Large property gifts as a percent of total voluntary support	Total giving by individuals as a percent of of total voluntary support	Individual gifts of property as a percent of total giving by individuals
All institutions	26.5%	75.0%	25.1%	51.7%	44.9%
Major private universities	36.6	85.7	33.5	55.8	55.7
Private men's, women's and coeducational colleges	19.9	65.0	17.7	36.0	32.6
Professional and specialized schools	39.8	80.9	38.8	63.1	61.1
Public state colleges and universities	15.5	66.1	14.6	34.8	29.3
Junior colleges	14.6	63.7	12.9	41.5	27.4

Source: Julian Levi and Sheldon Steinbach, "Patterns of Giving to Higher Education II: An Analysis of Voluntary Support of American Colleges and Universities, 1970-71" (Washington, DC: American Council on Education).

Unlike individuals and families, most large foundations today do not make general support grants to higher education. Some have done so, of course; as recently as the early 1960s, Ford Foundation programs dramatically increased endowments and faculty salaries. Many foundations still do. But, in general, foundations now tend to prefer the purchase of specific outcomes--research, curriculum change, diversity in learning opportunities. The principal reason for foundation support is the general belief that higher education has the personnel, equipment, atmosphere, and predispositions most suitable for certain kinds of problem solving. The vast number of foundations--most of them the smaller ones--are really extensions of individual or family philanthropy. As such, the reasons for their interest in higher education would tend to parallel those of alumni and non-alumni individuals rather than those of the larger, staff-rich foundations. The foundation category, therefore, should not be considered homogeneous.

Business corporations also tend to have narrower interests in higher education because of the constraints on dispostion of charitable funds imposed by profit-seeking stockholders. The philosophy of corporate charity and giving to higher education has changed somewhat during this century, primarily as a result of tax incentives (corporations were first permitted to deduct contributions up to 5 percent of net income in 1935) and the acceptance of the concept of corporate responsibility. Since any funds contributed are, in principle, stockholder property, corporate charitable activities must be shown to benefit the owners. In 1954 the New Jersey Supreme Court held that aid to higher education, because it benefitted the society in which corporations operate, met the test of serving stockholder interests. Whether corporate general support of higher education is truly in stockholder interest is still a lively question.[32]

There are really two components of corporate philanthropy, then. One is the belief that higher education, like the United Way, is a good place to put relatively unrestricted charity: the money will presumably increase the welfare of society in many different ways. The other reason involves a clear quid pro quo--support for particular kinds of industry or commerce; support of particular kinds of research which helps to train particular students and also may provide technological knowledge which can be applied profitably.

Sources and Size and Form of Expenditures

There are no consistent data on the size of individual transactions between sources of philanthropy and institutions of higher education. For 1970-71, the American Council on Education did a special study of participants in the CFAE survey that year which revealed "the importance of the large gift" (over $5,000). Table 5 summarizes some of their findings. While gifts under $5,000 are over 20 times as numerous as those over $5,000 (for both current and capital purposes), the large gifts yield over 2.5 times the total funds as the small ones for current purposes, and 7 times that of the small ones for capital purposes.

Their study indicates that foundation support in the large gift category is more than 7 times that of transactions under $5,000. Alumni provide the greatest proportion of small gifts--only about 3 times as much alumni giving is in large gifts as in small gifts. The findings also indicate that the large gift is important for all types of institutions. For most institutions, less than 2 percent of the transactions raise more than 55 percent of the revenue from private sources. For private universities and professional schools, more than 80 percent of their voluntary support is raised in transactions larger than $5,000.

Gifts of property are important, accounting for 26.5 percent of total support. Almost all property gifts are in units of $5,000 or more. While foundations and businesses do not generally give in the form of property, property is a common form for alumni and non-alumni individuals, accounting for almost 45 percent of all individual giving.

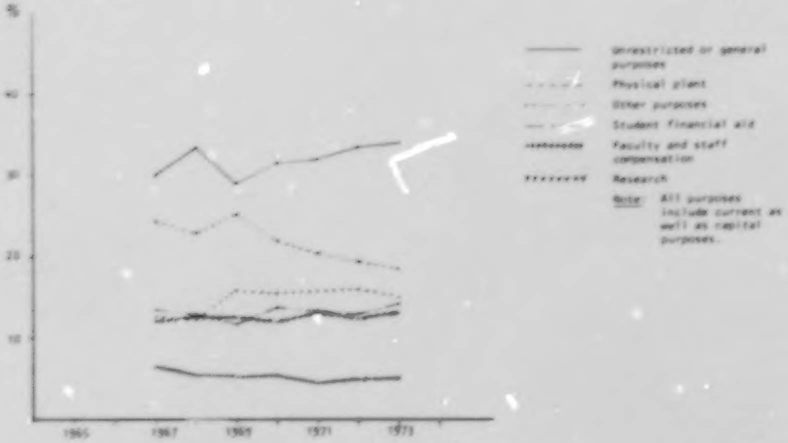
Although large gifts raise the most revenue, it is the small gift which involves about 2.3 million alumni each year. And over the last 8 years, the average alumni contribution to the annual fund has risen from $47.41 to $68.47.[33]

A substantial amount of support is in the form of bequests and deferred gifts such as life income contracts. Bequests accounted for 28.8 percent of total support by individuals in 1972-73, while deferred gifts accounted for 9 percent.[34] The percentage share of bequests has been stable for the last 12 years, but since 1962-63 the percent of deferred gifts has nearly doubled. This rise reflects growing awareness of and interest in this form of giving, largely because it offers the dual benefits of certainty to the institution and an earlier tax deduction to the donor.

Sources and Purposes

Unrestricted purposes is the largest category of voluntary support—over 30 percent—and it has been rising during the 1970s. (See Figure 18.) The rise in unrestricted support is mirrored by a decline in support of plant and equipment purposes. Research, student aid, and other purposes have all commanded about 14 percent of private support consistently over the seven-year period. Faculty and staff compensation has maintained a consistent 5 percent share of total support. Figure 19 shows the relative importance of current and capital support within each purpose in 1967 and in 1973. (For the most important purposes, relative shares of each source are shown.) Unrestricted current support is about twice as important as unrestricted capital. Almost all physical plant support is capital, while almost all

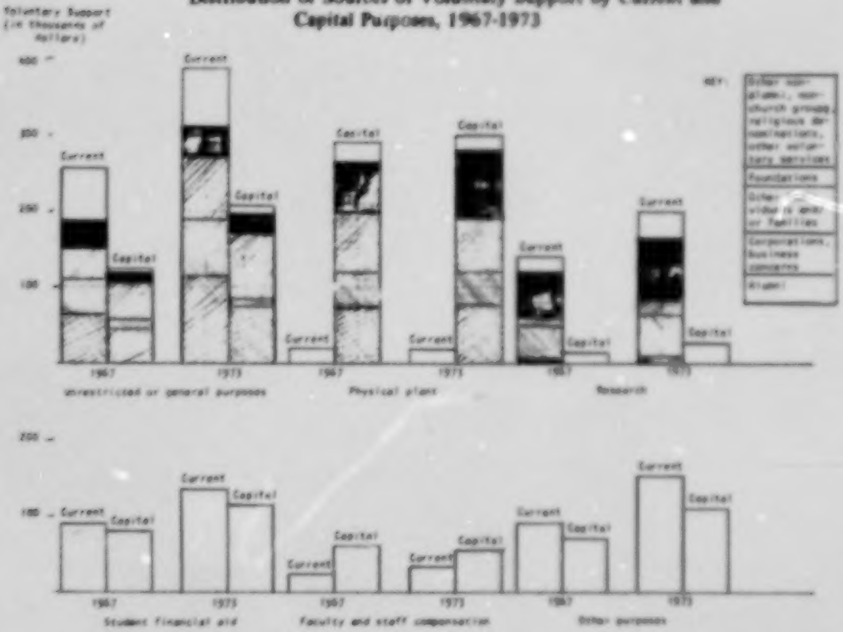
Figure 18
Purposes of Voluntary Support as a Percentage of Total Voluntary Support, by All Sources, 1967-1973



Source: Council on Financial Aid to Education.

Figure 19

Distribution of Sources of Voluntary Support by Current and Capital Purposes, 1967-1973



Source: Council on Financial Aid to Education.

research support is current. Figure 20 shows the overall shift in importance of capital versus current purposes.

The data on preferences of private philanthropic sources for higher education purposes and the sources' shares of private expenditures for purposes reveal interesting generalities. The preferences of sources have been remarkably stable over the seven years for which data are available. Shares have also been stable, with two exceptions. First, capital spending is declining in importance (due to plant and equipment, not unrestricted endowment), and its supporters' shares are more volatile. This may be due to "erratic timing of capital campaigns. . . and the random effect of very large gifts."[35] Second, it often occurs that alumni and non-alumni individuals' shares of various purposes are inversely related. This could be due to alternating solicitation focuses.

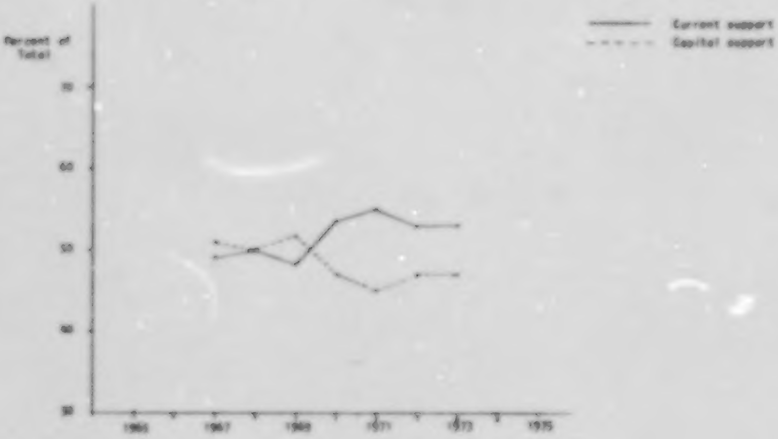
While it might be expected that these irregularities would be concealed in data totalling over 1,000 institutions, apparently the decisions of a few large institutions can significantly alter the statistics for the aggregate.

Type of Institution

Hans Jenny has shown that philanthropy is considerably more important for private institutions than for public. This is especially the case for capital as opposed to current purposes.[36] Philanthropy is also important to public institutions, however. Our survey of college presidents revealed that at public institutions philanthropy is most important for student aid, although several presidents

Figure 20

Capital and Current Voluntary Support as a Percentage of Total Voluntary Support



Source: Council on Financial Aid to Education.

mentioned that philanthropy is often used for necessary capital expenditures that the state legislature is either unable or unwilling to authorize. It should be noted that philanthropy to public institutions is concentrated. According to CFAE, more than three quarters of the philanthropy received by public institutions goes to the 100 institutions that are classified as universities.

Summary: The Form of Philanthropy Implies its Importance

- Private philanthropy contributes in all categories of institutions—public and private—and is used for a full spectrum of restricted and unrestriced purposes.
- Private money is more important for private than public institutions, but it is often a substantial source of income to public institutions.
- Private money is more important for capital than current purposes, but current gifts often represent the difference between continuity and major reductions in offerings.
- Alumni and non-alumni individuals and families and businesses tend to support unrestricted purposes, while foundations tend to be more restrictive in their support.
- While transactions under $5,000 heavily outnumber those over $5,000 for all institutions and purposes, large gifts, mostly from a few individuals and families, account for the largest share of total voluntary support.
- Property is an important form of giving, especially for individuals.

Note on Data Sources

Several sources of data on philanthropic and governmental support of higher education are relied on in Chapters II and III:

1. In *The Changing Position of Philanthropy in the American Economy* (1970), Frank Dickenson of the National Bureau of Economic Research (NBER) estimates the magnitude of philanthropy between 1930 and 1958 in terms of both sources and recipients.
2. The American Association of Fund-Raising Counsel's *Giving USA* is an annual report of sources and purposes of philanthropy in America used for the years after 1960.
3. The Council on Financial Aid to Education (CFAE) has annually conducted a survey of philanthropic receipts of colleges and universities since 1961. Its annual publication, *Voluntary Support of Education*, is the most widely accepted source of data on philanthropy in higher education.
4. The U.S. Office of Education's National Center for Educational Statistics annually conducts the Higher Education General Information Survey (HEGIS) which appears in *Financial Statistics of Higher Education*. NCES also provides additional data in the annual publications, *Projections of Educational Statistics* and *Digest of Education Statistics*.
5. The National Science Foundation (NSF) annually gathers data on sources and purposes of research and development at colleges and universities which are published in *Federal Funds for Research, Development, and Other Scientific Activities*.
6. The U.S. Office of Management and Budget (OMB) gathers data on total federal spending for educational purposes from the budgets of appropriate agencies which is reported in their *Special Analyses of the Budget of the United States, Analysis H*.

Although several annual surveys provide data, there is, unfortunately, too little correspondence among sources. CFAE is dependent on only those institutions who choose to answer their questionnaire. It does not audit to ensure that there is consistent application of their system of categories among institutions. Their catch-all "other" category is over 15 percent of all purposes.

Despite opportunities for coordination, the various federal sources of data are very difficult to relate. The HEGIS results are available only 2 years after the fact; there is little correspondence between NCES reports and the OMB reports. OMB does not include non-educational research data in its *Analysis H*.

As a result, figures for federal support of higher education in 1972-73 vary as much as from $5 to $9 billion. All numbers, therefore, must be considered no more than rough estimates.

IV

PRIVATE PHILANTHROPY AND PUBLIC POLICY

It is clear from a review of the history of higher education that private philanthropy has always played a central role. Given the continuously decreasing ratio of private to government higher education expenditure and the growing concern for the equity of a tax system which provides advantages to the wealthy for philanthropy, what is the current role of private philanthropy? Does it need new justification?

Philanthropy exists regardless of public policy because, in the first instance, individual donors believe in the purposes to which their money is put. This is demonstrably the case in higher education. Philanthropy preceded public activities; and as the states and later the federal government supported greater and greater enterprise in higher education, private support did not decline, it actually increased. Public acceptance of responsibilities in higher education, rather than having replaced philanthropy, seems to have spurred it on.

Providing incentive to private philanthropy has been a public policy since the advent of the income tax. Allowable deductions and favorable treatment of gifts of appreciated property indicate the explicit public desire to augment philanthropy beyond what would occur in the absence of tax incentives. The justification for these incentives must now be articulated in the current tax reform deliberations.

The Need for Private Support of Higher Education

It is not enough to recount the importance of private philanthropy on historical grounds alone. A beneficial past is no guarantee of a beneficial future. We will show, however, that (1) private philanthropy has performed and still does perform vital functions in higher education, (2) the importance of these functions will increase in the future, (3) government either does not or cannot perform these functions, and usually does not want to. These vital functions define the role of philanthropy in higher education.

The Functions of Private Philanthropy

Private philanthropy provides significant support to higher education through the performance of nine functions. Though not mutually exclusive, each of these functions is important enough for separate consideration.

1. *Philanthropy provides basic support—in varying degree —to all private institutions.* In the United States, private colleges and universities comprise about half of the total number of institutions of higher education and enroll over one fourth of the students. The best estimates are that private sources contribute 17 percent of the current fund income and 23 percent of the capital fund income to private higher education. The form of this support—unrestricted plant, faculty, and student support—is vital to the maintenance of quality at private institutions. In response to a survey,[37] college presidents and other administrators indicated that reductions in philanthropy would almost uniformly result in operating deficits, which would eventually require reducing the quality of education offered.

2. *Philanthropy provides an important margin for the improvement of public institutions.* That public institutions depend to a considerable degree on private philanthropy is not widely recognized. Major research universities rely on private sources for 4 to 6 percent of their total income. Private funds make possible acquisitions—usually buildings—for which public funds would not be available. One university president expressed it this way: "Legislators do not look with favor on the extras that will make the difference between adequacy and excellence. If public institutions are to strive for exceptional performance, they are forced to look to private funds to lift them above the commonplace or the mediocre. Those public institutions that have achieved greatness have done so with the help and encouragement of private resources and private leadership."[38] Private money is also used to turn otherwise ordinary structures into esthetic as well as functional additions to the campus and community. When they have projects which legislatures are either politically or financially unable to fund, public institutions have increasingly looked to private philanthropy for relief.

3. *Philanthropy supports both general and highly selective student aid programs reaching many students overlooked by or, for special reasons, not eligible for adequate government-supported financial aid.* Private support of student aid comes in many forms. Student aid endowments or revolving loan funds permit the institution to enable certain students to attend. Often the students attracted by this kind of aid are important to the student mix on campus. Through organizations as varied as the National Merit Scholarship Corporation and the local high school, college scholarships may reward high school or community achievement and serve as additional incentive to pursue education. In the tradition of the early establishment of Black colleges, philanthropy continues to provide special funds for the disadvantaged, which support remedial programs as well as tuition. When administered by the institution, the distinguishing characteristic of private support

of students is its flexibility. When administered outside the institution, it is selective, with potential to focus on highly individual goals and needs.

4. *Philanthropy supports innovation, risk, and long-range programs of instruction, service, and research.* Institutions with a strong public service orientation often look to foundations to fund interdisciplinary projects. Joint business administration programs with schools of medicine and education would have been difficult, if not impossible, to initiate with public funds. Much of the research supported by foundations is long-range and essentially risky. As private institutions, foundations can more readily absorb the political costs of slowly developing results, as well as ultimate failures, than can public funding sources.

5. *By its leverage effect, philanthropy raises additional funds for education out of the national income.* Matching grants, either for unrestricted endowment or specific projects, are proven motivators both of individuals and organized sources of support. When an individual, business, or foundation gift can be worth several times the donation, greater giving and broader citizen commitment to higher education are encouraged. This leverage effect of private funds is well recognized and indeed sometimes is used on public funds as well. Private sources often allow new programs to reach a stage of development after which they are able to attract and justify government funding.

6. *Under emerging conditions of "steady state" and increasing state control, philanthropy helps institutions to retain some of their flexibility, diversity, and autonomy.* The recent leveling of enrollments, combined with high rates of inflation, are robbing institutional budgets of their flexibility. As "steady state" seriously threatens the ability of institutions to maintain program flexibility and quality, philanthropy can play a key role. (This condition of "steady state" is discussed more fully in Chapter V.) The Committee for Economic Development recently noted that "Philanthropy has traditionally ensured flexibility: . . .the flow of private support is essential to the diversity, strength, and vitality of the nation's colleges and universities. It provides a means of achieving the high degree of independence and freedom indispensable to the attainment and preservation of superior quality in education."[39]

Under the new conditions of higher education, philanthropy will be a vital ingredient in preserving institutional flexibility. Most philanthropy is highly flexible. As we have seen, one third is given in unrestricted form, and often large gifts are negotiated to conform to institutional priorities. Plant gifts and endowed professorships either provide additions the institution could not otherwise afford or, by substituting for internal funding, free resources for other projects.

To the extent faculties and institutions are able to make decisions by self-imposed priorities, they are sheltered from outside control and permitted to maintain their individuality. Howard Bowen has observed, "academic freedom calls for a system of finance with diverse sources, including substantial funds that are not earmarked and for which institutions are not too beholden."[40]

Private philanthropy results from individual transactions between the institution and a large heterogeneous group of supporters. Even the unmistakable dependence of higher education on the large gift has not been shown to reduce institutional diversity or autonomy. Patrons and foundations have sought at times to determine rather than respond to institutional needs. But the evidence indicates that this problem is not a general or frequent one. Today, dependence on a few large donors is more likely to preserve autonomy than is total dependence on a single public entity.

Budget problems exacerbated by "steady state" and inflation have produced intensified efforts to economize. Planning at the institutional level can threaten departmental autonomy and diversity, and at the system level, campus autonomy and diversity. The president of one private institution put it this way: "And given the often brutal encroachment of lay authorities upon academic terrain, as Regents override Presidents and Faculties, Legislatures override Regents, and the Federal Government and the courts undertake to decide who shall have tenure and how the football team is to be fed, no wonder that, in their spare moments away from worrying about survival, most presidents are wholly preoccupied with preserving what they can of institutional autonomy in American higher education."[41]

To some extent, the diversity, dispersion, and flexibility of private support provide shelter from the various forces threatening higher education.

7. *Philanthropic enterprises often support government programs and purposes.* The federal government sometimes finds it helpful to seek private funds for its own projects. Private funding of investigation and evaluation commissions like the Newman Commission and the Presidential Commission on Campus Unrest adds impartiality and credibility to the results. Significantly, a study of the FBI, announced by Chief Kelley in 1974, which will be undertaken by the agency itself, will be done with private foundation funds. In addition, by supporting risky new programs philanthropy also provides government with implemented models for policy alternatives.

8. *Private funds help to provide a buffer against the adverse effects of sudden shifts in government funding.* The mail of foundations is filled with requests to help salvage part of the programs abandoned by sudden shifts in government funding. This has been a serious problem in recent years in the areas of graduate education, science, and public health.

9. *Private philanthropy allows and encourages broad citizen interest in higher education.* At a time when concentrations of economic power seem to destroy feelings of individual efficacy and lead to uniformity, philanthropy enables a plurality of interests to have a voice and effect in higher education. Matching and critical-dimension programs tend to increase participation and interest. The growth of enrollments, which includes scholarship-supported students at highly selective private institutions, has increased the size and diversity of alumni.

These nine functions of private philanthropy are generally recognized by those familiar with higher education. What is less clear is how this source of strength for diversity, autonomy, and quality would be affected by changes in public policy.

Philanthropy, Tax, and Education Expenditure Policy

Federal policy has considerable effect on the public-private partnership in higher education, principally by tax policy which affects philanthropy and by its explicit education legislation. In order to assess the impact on private philanthropy and higher education of a change in public policy, especially proposed tax reform, two considerations are essential. One is the immediate effects on philanthropy itself, the other is the total impact on the recipients of philanthropy—that is, simultaneous consideration of current and potential federal effects on recipients as well as donors.

It is possible, of course, to view all federal activity, by definition, as reflective of the public interest. Hence, private activity which, for example, supports students ineligible for federal assistance would be regarded as performing a service the federal government had chosen not to perform. It could be argued that if the government has chosen not to perform a certain function, it should not provide a tax subsidy so that others will perform it. The same case can be made for basic support, research, and other functions, provided one accepts the initial assumption that only government activities reflect the public interest and that nongovernment activities do not.

Our view is that the federal government can best represent the public interest by encouraging private activity to supplement public support for higher education, on the ground that certain functions of private philanthropy in higher education are vital and that under no foreseeable circumstances could the federal government substitute its wisdom and resources and achieve equivalent outcomes. The basis for that conclusion is derived from the analysis below.

A Framework for Policy Analysis

The matrix below (Table 6) is designed to analyze alternatives of total federal policy as it affects higher education—the tax policy that influences private support and the specific higher education policy itself. While these policies are, unfortunately, determined independently, their effects, of course, overlap. Unless federal deliberations integrate the piecemeal effects of both tax and categorical education policy, the public interest will not be a real issue in the debate.

Table 6

Policy Effects Matrix

	Federal Education Policy			
	Increase in Higher Education Expenditures		No Increase in Higher Education Expenditures	
Federal Tax Policy	Private Sector Functions Performed Well	Private Sector Functions Performed Poorly	Private Sector Functions Performed Well	Private Sector Functions Performed Poorly
Maintain Incentives for Philanthropy	1, 2, 3, 4, 5, 6, 7, 8, 9		1, 2, 3, 4, 5, 6, 7, 8, 9	
Decrease Incentives for Philanthropy	(1), (2)*, (3), (4)	5, 6, 7, 8, 9		1, 2, 3, 4, 5, 6, 7, 8, 9

*Parentheses indicate questionable performance of function.

Private Sector Functions Located in Matrix Cells

1. Provide basic support for private institutions.
2. Provide margin for improvement at certain public institutions.
3. Support selective student aid programs.
4. Support innovation, risk, and long-range programs.
5. Raise additional funds for attractive projects.
6. Help maintain institutional flexibility, diversity, and autonomy.
7. Assist government by independent activity.
8. Provide stability given sudden shifts in federal funding.
9. Encourage a broad base of citizen interest in higher education.

The main consideration is the extent to which the nine functions of philanthropy in higher education will be performed if certain changes in federal policies are made. These nine functions are placed in the matrix in accordance with our judgment of whether they will be performed well or poorly under the simultaneous effects of federal tax and higher education expenditure policy. (In order to simplify the analysis, the alternatives "no change in tax policy" and "decrease in federal higher education expenditures" are omitted. The former is implied by the existing performance of the nine functions documented earlier; the latter is not seen as likely.)

Increased Tax Incentives for Philanthropy

Should federal policy increase the incentive for philanthropy–for example by increasing the exemption for lower incomes without reducing them for the higher incomes–the private sector functions will be performed well regardless of an increase in federal expenditures. The assumption is that what private philanthropy has done well in the past–while federal expenditures increased rapidly–it will continue in the future. Should federal expenditures increase even more dramatically, implying still greater centralization of decision making, philanthropy will be all the more important for flexibility, diversity, and autonomy.

Decreased Tax Incentives for Philanthropy

If federal tax policy were to decrease incentives for philanthropy, the prognosis for the nine functions would be bleak. A reduction in income or estate tax incentives would certainly begin at the top of the tax brackets where the differential tax advantages are greatest.[42] It has been shown that higher education is vitally dependent on the large gift, most of which comes from individuals, presumably those at high marginal tax levels or possessing large estates. Furthermore, the correlation between college education and lifetime income implies that alumni are more likely to be in higher tax brackets than are non-alumni. Whatever the reform, whether it concerns income, appreciated property, bequests or foundation accumulation and payout, the effects will be strongest on the wealthier families which comprise the major source of private support to higher education.

Disincentives to philanthropy will reduce the $2.2 billion it annually provides to higher education. The available literature indicates that tax incentives are a major factor in philanthropy. Hunter's findings in *The Tax Climate for Philanthropy* indicate that both the magnitude and timing of giving is greatly influenced by tax considerations.[43] He estimates that philanthropy could be reduced up to 46 percent, depending on the nature of the tax reform.[44] Feldstein estimates the incentive to philanthropy to be 100 percent, implying one dollar lost to philanthropy for each dollar added to the treasury.[45]

How and where change in tax policy would affect higher education depends on its provisions. The areas of impact might be the following:

- $580 million in gifts of appreciated property–almost all from individuals–would be reduced or lost. All types of institutions would be affected, primarily by reductions in relatively unrestricted support, the form of most individual giving.

- The half billion dollars in foundation contributions have already been adversely affected by the 1969 tax laws.

- The 75 percent of all voluntary support that comes from gifts of $5,000 or more would be affected. Higher education relies on large gifts, 76 percent of which are made in the form of property.

- The diversity of support for higher education, and the institutional pluralism and autonomy which it makes possible, would be adversely affected. Individuals' incomes, property, and testamentary arrangements are simultaneously key objects of tax reform and key sources of support for higher education.

Decreased Tax Incentives and Decreased Federal Expenditures

If the federal government did not increase its educational expenditures at the time it reduced philanthropic incentives, all the nine functions would suffer. Private college budgets would be in continually worsening deficit, resulting in lower quality. Public institutions would lose a source of support for flexibility and excellence, and pressure would be strong to channel the remaining higher education philanthropy into private institutions. Most importantly, institutional flexibility and autonomy, already threatened by "steady state" and inflation, would decline.

Decreased Tax Incentives and Increased Federal Expenditures

It is possible that Congress would reduce incentives for philanthropy but also choose, in some fashion, to increase higher education expenditures. One could expect that there would be strong pressure for new federal expenditures to compensate for the lost philanthropic revenue.

The nature of new federal initiatives cannot be determined. However, the concern for universal access and "market approaches" suggest that funds would go for student rather than institutional aid. Increased student aid would enable payment of larger tuitions. "Cost of education" supplements to student aid is one student-based institutional support measure under consideration. With minimal federal influence on campuses, a scheme that allowed institutions to compensate for lost philanthropic revenue by larger tuition charges would, however, be fraught with complexity and uncertainty. Institutions might increase tuition charges to balance their budgets, but with a probable negative effect on applications. Would the widened private-public tuition gap encourage exodus from private institutions? And would decisions for use of the tuition premiums be different from those made for private philanthropic income?

Another possible vehicle for federal aid would be some formula distribution to institutions, but Congress has opposed block aid in education, other than revenue sharing. Determining each institution's share would be a matter of considerable debate, especially for those newer institutions whose philanthropic base has been rapidly growing.

Another option is categorical grants in areas such as unrestricted plant, student aid, research, and faculty endowments where philanthropy has been significant in the past. Such a plan might be a one-time-only capital grant based on expectation of some future flows of philanthropic dollars. Congress might endow a quasi-independent national foundation for higher education such as the National Foundation on the Humanities (or augment the present Fund for the Improvement of Post-Secondary Education). It seems doubtful that the distribution of funds could escape dispute or that an endowment sufficient to replace private funds would be established.

Regardless of how Congress might decide to compensate for the loss of philanthropic income, certain general characteristics of federal aid render it an inadequate substitute for philanthropy. Federal programs suffer from the effect of bureaucracy, as well as local and short-run legislative interests.

While federal bureaucracies have proven highly successful at programs of mass distribution (such as Social Security, where decisions are amenable to standard operating procedures), they have been much less successful where careful distinctions are essential. Discovery and motivation of special students, evaluation of untested proposals, response to unique local needs are not what large bureaucracies do best. Certain small federal agencies such as the National Institute of Education or the Fund for Improvement of Post-Secondary Education are designed to make grant decisions selectively, but only on a limited scale. NSF or NIH grantees often complain of unwarranted, hindering supervision, general inflexibility, and capricious erratic funding priorities. These are the results of a large bureaucracy separated from its constituency which would inevitably be less responsive than the decentralized and more personalized relationships currently existing between philanthropic sources and recipient institutions.

Leveling pressures represent another hindrance to responsiveness. The larger the appropriations, the longer and more visible the line of applicants. Members of Congress pressure department officials to make grants in their own areas. NSF, for example, has been asked to make many grants based on geographical criteria which it otherwise would have declined. In contrast, the decentralized private sources of philanthropy enjoy a high degree of insulation from the egalitarian politics of distribution.

The political consequences of failure and the natural conservatism of bureaucracies preclude federal funding of major but risky projects. Also there is a bias toward short-term results. The insulation of philanthropy, however, permits risks, including the support of projects whose benefits may emerge far in the future, if they emerge at all. As a major federal official puts it, "Private foundations can afford to fail on occasion without dangerous results; government can afford to fail only rarely."[46]

In almost every case, we believe that the federal government is unable to assume fully the functions in higher education that are now successfully performed by private philanthropy.

New Federal Expenditures and the Nine Functions

1. It is possible that the function of providing basic support of private institutions could be performed if federal dollars were substituted for lost philanthropy. A national endowment for higher education, a one-time capital disbursement, or yearly appropriations could send unrestricted funds to institutions that document a level of private philanthropic support. Such federal disbursements for basic aid might, for simplicity, be completely unrestricted, since categorical qualifications would infringe on flexibility and autonomy. Computations of aid would be complicated, however, if institutions' philanthropic receipts were not consistent from year to year. Using an average, for example, would hurt institutions whose philanthropy was rising. The provision of basic support to private institutions is within the federal capability, although congressional interest in block grants in higher education has, as discussed earlier, always been weak. While basic support is possible, it is not at all probable.

2. Federal provision of the margin of flexibility and excellence at public institutions is also of questionable likelihood. Unrestricted grants would, of course, suffice, provided they went directly to the campus and not by way of centralized state offices. If, what is more likely, the allocations were in the form of categorical grants, the flexibility required for the "margin of excellence" would inherently be reduced. The government is not disposed to support the special amenities such as higher cost building design or recreation facilities: leveling pressures and competing priorities do not permit it.

3. A selective student aid program is another function unlikely to be performed by government. It is possible that, like New York state, the federal government might offer awards to those who score well on a given test; it has also proven possible for the federal government to supply funding to institutions for particular students in particular departments; and at the present time, the federal government awards graduate fellowships on the basis of competitive exams. But such selectivity is unusual.

A main benefit of private support is that it can reach students who do not fit the priorities of government, or even those of budget-cutting institutions, for that matter. Furthermore, levels of government support are not large and are probably inadequate for many financially marginal students.[47] In 1974 the maximum NDEA loan for undergraduates was $1,000 per year, and for graduate students, $1,500. BEOG's (Basic Equal Opportunity Grant Program), designed to be the "floor of a financial aid package," are estimated on the BEOG application to provide only $50 to $800 per year. Despite the high cost of the total programs, these are not large sums per student, given high tuition and living and materials expenses.

4. The function of research and program development is not outside the reach of government capability. Unlike student aid, research and program innovation is sufficiently specialized and capital intensive to respond to bureaucratic administration. Indeed, NIH and NSF make scientific research grants on a deliberately selective basis. NIE and FIPSE are organized to do so for education research and development.

Many researchers, however, say they would prefer to contract with a foundation than with a government agency because of the government's propensity to shift funding priorities and undermine programs, the greater receptivity of foundations to modifications in original proposals, and the government's tendency to refuse proposals that involve risky or only long-run benefits. According to one researcher, "it is difficult to induce either government action agencies or government research funding agencies to undertake new directions of research along non-hardware lines over the long run."[48]

Another problem in federal research support derives from the leveling pressures noted earlier. To the extent that grants are made on parochial geographical criteria, the programs and research purchased may be of lower quality. Private support, already decentralized, is more insulated from the politics that harrass the executive agencies. It is therefore questionable that the federal government would be an effective substitute for the private support of risky and innovative research and instructional programs.

5. Although many federal grants to states involve matching, the federal government has not been involved in matching programs at local institutions. The administration of a matching program directed at thousands of recipients would involve substantial administrative, primarily audit, costs. The federal government could do as well by simply increasing the incentives to philanthropy, since there the reporting mechanism has already been established.

It is at least possible that a reduction in the tax incentives for philanthropy would actually coax more education dollars out of private pockets if it forced institutions to intensify their fund-raising campaigns. There are no data to validate this argument, however.

6. The question of autonomy, diversity, and flexibility, while the most important, is the most difficult. If Congress were willing to set up a flow of completely unrestricted funds directly to institutions, a kind of diversity and autonomy could be preserved. But the formula would replace the market place as the chief determinant of the nature of the diversity; and a single legislative act, rather than hundreds of individuals' decisions, would probably be a threat to autonomy.

However, the basic question is whether the federal government would ever supply funds that were completely unrestricted. An axiom well understood by local schools is that dependence on federal money is an invitation to reduced autonomy: "If it is true that 'he who pays the piper calls the tune' the integrity of higher learning is ensured by the fact that no one group can 'call the tune!'"[49]

The proven value of autonomous higher education, with all its free democratic pluralistic implications, must be steadfastly supported when it is threatened by what Congress may consider the public interest. Such autonomy has already been reduced by the public interest in, for example, the affirmative action guidelines attached to receipt of federal grants. Subjecting any replacement for philanthropic support to such restrictions invites inordinate and possible irrevocable abuse.

It is because of these very concerns for institutional autonomy and diversity that it is doubtful that Congress would pass an unrestricted general aid bill. If such a bill were passed, however, it is difficult to imagine that Congress would not, under some circumstances, use this new leverage to further infringe on institutional autonomy.

7. Philanthropic assistance for government purposes exists because it is independent of government.

8. Similarly, it is unlikely that the government would provide buffers against its own sudden shifts in funding priorities. It is possible, however, that a national endowment for education could, at the very least, provide steady income. Congress might write in provisions for offsetting the possible adverse financial effects of other congressional or departmental decisions. This function is considered possibly within the federal capability, but not a likely possibility.

9. The reduction of philanthropic incentive can have an adverse affect on the number of contributors as well as the magnitude of support. This would mean a reduction of local pressures on institutions. These pressures, from alumni and local or national foundations, can have an effect on the direction of institutional policy, as illustrated in the reaction to the campus riots of the late 1960s. Reducing this input inevitably reduces higher education's responsiveness to society's needs, as measured both locally and nationally.

In theory, of course, the federal government could set up any system that seemed desirable, including one that precluded any legislative control whatsoever, such as the Federal Reserve model. But such an unlikely structure would still be a monolith. The diversity and flexibility of the present system could never be replaced by a single federal entity. Because diversity and decentralization are essential to the performance of most of the nine vital functions of private philanthropy, it is for this reason that the new federal government expenditures would generally be an inadequate substitute.

The functions that philanthropy alone is capable of performing are increasing in importance to higher education. Flexibility, concern for institutional autonomy and diversity are the hallmarks of private support of higher education. These are the characteristics that make American higher education so valuable a national asset. Yet the emerging "new condition" in higher education poses significant threats to these characteristics. This condition—the combined effects of declining enrollment growth, recession, and inflation—reduces institutional flexibility, diversity, and autonomy. The budget effects of the new condition reduce flexibility and the ability to finance the innovations which create diversity. Financial stringency is also a strong invitation to greater public control, not only for state institutions but for private colleges and universities as well. Under these circumstances, federal policy makers, recognizing both the importance of philanthropy and the limitations of federal aid, should strengthen private philanthropy for higher education. We conclude from the foregoing analysis that the federal government must not only preserve its incentives for philanthropy, but increase them as well.

How the federal government structures its incentives for philanthropy is a matter beyond the scope of this paper and will be taken up by other Commission consultants. The following observations, however, are relevant to any consideration of changes in the tax incentives, if that is how the government intends to act.

Higher education is dependent on philanthropy, and tax incentives have done a good job maintaining a flow of philanthropic support to colleges and universities. It should not be forgotten, however, that the key to this flow is the tax incentive provided wealthy donors. It is the wealthy donor who, either directly or through a foundation, is the cornerstone of philanthropic support. The thousands of small gifts provided by alumni are vital to the general operations of colleges, and for student aid. But it is the large gift that enables institutions to initiate a special project, guarantee funding for a research idea, attract faculty to build a new curriculum. For these special projects institutions must turn to wealthy foundation and individual patrons who respond as no mass of donors could. It is possible for tax policy to reduce incentives for the wealthy in the hope that a countervailing provision would increase philanthropy from those in the lower tax brackets. This could never be an adequate trade-off, however, because it is more time consuming and costly to reach the required larger number of donors, and the institution would be unable to conduct its search for funds on a project basis. In short, preserving the aggregate incentive for philanthropy while changing the mix of donors will, like reducing aggregate philanthropy, weaken the performance of the functions of philanthropy, despite merits on other grounds. Federal tax policy must be sensitive to this reality.

V

EVOLVING ROLE OF PRIVATE PHILANTHROPY

For most of its modern history, the dominant characteristic of American higher education has been its growth. By every relevant measure—students enrolled, campuses built, professors employed, degrees earned, or money spent—that growth has been phenomenal, outstripping many times the rapid growth of the population. Moreover, this record of accelerating growth was compiled through periods of discouragement and even of open challenge.

During the last two centuries, higher education enjoyed strong support. But it was support leavened by periods of anti-intellectualism, political adversity, depression, student unrest, insolvent institutions, and war. In fact, in several brief periods, 1917-1918 and 1933-1934, there was an absolute decline in the number of students enrolled. These two interruptions in growth lasted only one year, though, and when they were over, colleges and universities again expanded in size and number and in their ability to respond to the complex demands of a growing nation.

Until the early twentieth century, the main need was for private funds to create new institutions to accomodate growing demand. After World War II, with the important policy initiatives of government, private philanthropy played a more specialized role—that of helping to strengthen institutions so that they could help meet the nation's research and manpower needs with new curriculum, facilities, and faculty.

Recognizing the adverse realities of "steady state," that role must now be modified, from developing institutions to meet external needs to giving greater emphasis to internal needs of the institutions themselves.

Higher education faces a new environment, one that will have significant effects on the shape and direction of higher education itself and consequently on the role of private philanthropy. The basis of the new condition is, of course, the declining of enrollment growth and the prospect of enrollment stability—and even absolute decline—by the middle of the next decade. Although higher education has had earlier, brief periods of declining growth, and even absolute decline, they differed from the emerging situation in three important ways. First, the decline was not as sudden and unexpected as the now-emerging situation in higher education; second, the deceleration effects of decline were not as severe in previous periods because the total size of higher education was so much smaller. By contrast, the emerging situation is one of declining growth of an activity with over 10 million students in almost 3,000 institutions, and it comes hard on the heels of the most rapid period of growth in the history of higher education. The third unique aspect of this situation is that the declining growth is occurring in a larger context of economic recession and reduced expectations about the nation's economic growth.

The economic conditions, including a depressed job market for many higher-educated workers, have challenged the assumption that heavy expenditures for higher education is a sound individual or even social investment. Together these factors define the emerging new condition of higher education, sometimes referred to as "steady state."

In addition to declining growth in an uncertain economic context, other environmental factors will shape the evolving philanthropic role. The first of these is that the federal role is, at best, becoming stabilized. The chief source of encouragement of growth during the recent boom period is itself now retrenching. Federal funds will not be available to sustain the institutions whose growth they previously financed. Even under optimistic assumptions, there is little reason to assume that the role of the federal government will expand. Existing federal programs, especially the Basic Opportunity Grant Program, might become more fully funded, but more initiatives from the federal government seem unlikely.

The second, related development is occurring at the state and local levels. After a brief period when it seemed that they were in a fairly strong fiscal position, the states are now having increasing budgetary difficulties of their own. States and localities, burdened with the cost of their own institutions, are not generally committed to the survival of private institutions. These private institutions, which provided and continue to provide models for public higher education, are additionally handicapped by policies that rely on subsidized tuition at public institutions instead of portable student aid.[10]

The implications of higher education's new condition for individual institutions are grave. With reduced growth goes reduced flexibility, the ability to be sensitive to changing needs. Zero or negative growth must mean curtailing institutional offerings with a concurrent effect on quality because rapidly rising costs cannot be offset by new resources. In this way, the decline feeds on itself: Higher costs reduce the return to student investment in higher education which in turn further reduces enrollment.

As the system levels, without compensation for the demographic pressure on enrollments, a significant number of institutions are likely to fail. This will affect the diversity and thereby the autonomy of the entire system. And it may not be the strongest who survive. It may be those with access to supplementary finance during the crisis; and this access, in a political system based on formula allocation, may not be sufficiently related to institutional quality.

The onset of the new condition has important implications for the nine vital functions of private philanthropy. At the most fundamental level, private institutions need additional resources of almost any kind. In the absence of public programs which make student aid vary with educational costs, the future of private higher education is seriously jeopardized. Philanthropy's basic support of private institutions (the first function of private philanthropy) will therefore be all the more crucial as the new conditions in higher education become more severe.

Beyond survival, the need for flexibility and autonomy (the sixth function of private philanthropy) will increase in importance. During earlier periods of growth, even "restricted" public funds designated for specified growth purposes were a source of flexibility. Public institutions could use "salary savings" from rapid growth and thus gain flexibility even from funds originally appropriated for limited purposes. Private institutions gained program flexibility from their growth, from both tuition sources and overhead funds from research.

Now that these sources of flexibility are drying up, the importance of flexible private philanthropy increases. Statewide planning and coordination is an important growing force as the public tries to get more from its educational dollar. But central direction is a natural enemy of institutional flexibility and autonomy.

Our survey of 41 institutions reveals that although the private philanthropic dollar is put to a wide variety of uses, its most important single element is its flexibility. In short, the most serious problem of steady state is rigidity; the most valued aspect of private philanthropy is flexibility.

The performance of the other seven functions will remain important in service to the overriding concern for the survival of private institutions and for institutional flexibility, diversity, and autonomy.

In short, private philanthropy must provide resources to enable straining institutions to avoid reducing the quality of their offerings in order to remain solvent. At the same time, philanthropy must direct itself to helping institutions to help themselves: to maintain flexibility, to attract students with inadequate means, to revitalize curriculum and research programs.

The changing situation in higher education puts an immediate burden on private philanthropy to reexamine old assumptions about its relationship to higher education and to understand the new problems institutions face. Inevitably, this must result in some change in priorities of funding to include, in somewhat greater measure than is now the case, the basic need of institutional sustenance.

For almost all of its history, private philanthropy has been concerned with the problems and needs of growth. It has nurtured, supported, and created much of that growth. Now that growth is ending, and a new set of problems associated first with declining growth and then with "steady state" are occurring. It is in that context that the evolving role of philanthropy will be defined.

Philanthropy must be an important source of strength as institutions work to help themselves. Most philanthropy, as we have shown, is already institution-oriented, but more resources must be used for sustenance and less for innovation. Alumni will have to give more—more per individual—and more individuals must be involved. Non-alumni must sensitize their own designs to the first priorities of the recipient institutions. Foundations must learn to include sustenance as part of their "cutting edge" philosophy.

Private philanthropy can respond to these new no-growth needs of higher education, as it has responded to growth in the past, because of its personal, decentralized nature. New conditions will demand of institutions that they expend more energy to make the most effective use of available philanthropy and will demand of philanthropy that it choose carefully among its alternative projects and recipients. This means hard choices—between concentrating on excellence at fewer institutions and spreading resources too thinly between relatively thankless operational support and pilot projects or memorial buildings. Philanthropists must take the time to know their institutional recipients and fully understand the reasons for the proposed uses of their money.

The new condition in higher education should be an important guide for both federal and philanthropic decisions. The increased importance of philanthropy under the new condition bids the government to increase incentives for philanthropy and preserve institutions' access to large donations; it invites private supporters to reexamine their philanthropic priorities. Institutions require more sacrifice from individual alumni, more responsiveness from individual and family donors, or large amounts, and more planning and compromise from foundations.

We expect that the role of philanthropy will evolve to meet the challenge of the "new condition." It is our hope that federal tax and educational policy will assist and not hinder this response. Indeed, by careful and simultaneous consideration of tax and education policy and by maintaining commitment to flexibility, diversity, and autonomy, the government cannot fail but provide a fertile environment for philanthropic support of higher education.

Appendix

The Federal Role in Higher Education

Although federal interest in education is almost as old as the Republic, for most of our history federal education-related activities were indirect and limited. The now-traditional American value and expectations for education were reflected in the Northwest Ordinance in 1787. Congress declared that "religion, morality and knowledge being necessary for good government and the happiness of mankind, schools and the means of education shall be forever encouraged."* In 1802, when Ohio became a state, Congress began the practice of granting lands for a seminary or university to each state as it entered the Union.

Federal interest in education became more specific, in terms of both the types of education offered and the institutional structure in which instruction would be given. The Land Grant College Act of 1861 provided for the sale of federal land, the proceeds from which were for ". . .the endowment, support, and maintenance of at least one college where the leading object shall be without excluding other scientific and classical studies, and including military tactics, to teach such branches of learning as are related to agriculture and the mechanical arts. . . ."** All states received grants from the sale of federal land; allocation was based on population. This was the first categorical federal education legislation—for mechanical and agricultural colleges—and also the first legislation designed to directly affect higher education. The Land Grant College Act was passed "to promote the liberal and practical education of the industrial classes in the several pursuits and professions of life." It carried restrictions on curriculum and on the time limit for establishing the college and the provisions for a permanent endowment. For states that did not already have such institutions, accepting the grant required them to create state funds for the buildings and equipment.

Although Congress periodically rejected plans for a national university during the nineteenth century, it enhanced the significance of the Land Grant Act by continued support of these colleges. In the Second Morrill Act of 1890, Congress authorized annual subsidies to the land-grant colleges; these continue today, although they are only a small fraction of total income. In 1887, the Hatch Act provided for agricultural experiment stations located at the land-grant colleges. This particular legislation initiated the federal role in using higher education for research on problems of national concern.

In the second decade of the twentieth century, the awareness of immigration-related problems by labor and business resulted in pressure for the Smith-Hughes Act of 1917 which supported state categorical programs in vocational and industrial education. The Vocation Rehabilitation Act of 1918 was designed to assist disabled veterans.

The response to the conditions of the Depression included the National Youth Administration of 1935, which enabled students to earn a substantial part of their educational expenses, and the Works Progress Administration, which built facilities at state institutions as a means of providing employment. And during World War II, the federal government relied heavily on higher education resources to provide training and research for the war effort.

Four interrelated reasons account for the form and timing of federal higher education initiatives up through World War II. Since the Constitution contains no reference to federal responsibility for education, it is thus reserved to the separate states. This and other Constitutional provisions reflect a strong tradition of preference for local control which has been a constraint on federal activity in all areas of American life, especially those, like education, with ideological aspects. The doctrine of church-state separation also inhibited broadbased federal education activity since until the twentieth century almost all higher education was church related.

Until the twentieth century, demand for federal education activity was irregular and hesitant, as indeed it was for any federal interventions in society. Despite the deep American faith in education, voiced in the language of the 1787 ordinance and even more strongly in later years, the faith did not extend to central governmental influence which was presumed inevitably to follow federal activity. The Northwest Ordinance and Land Grant Acts were not really federal education policy as much as a means of enabling the states and individual institutions to develop their own education policies. But Congress began more and more to rely on higher education to provide specific, though limited, services. The Land Grant Act had particular curricular purposes, not the least of which was military preparedness, the inadequacy of which had been demonstrated earlier by Union Civil War defeats. The Hatch Act initiated federal dependence on colleges for agricultural research.

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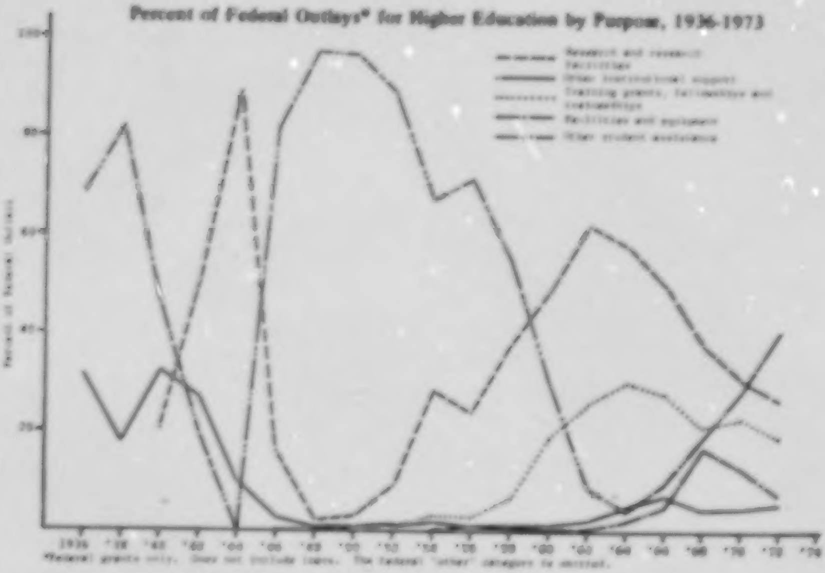
* Ralph Tyler, "The Federal Role in Higher Education," *Public Interest*, Vol. 34, Winter, 1974.

**Alice M. Rivlin, *The Role of the Federal Government in Financing Higher Education* (Washington, D.C.: The Brookings Institute, 1961), p. 14.

Figure 21

Percent of Federal Outlays* for Higher Education by Purpose, 1936-1973



*Federal grants only. Does not include loans. The federal "other" category is omitted.

Source: Provisional estimate of higher educational outlays drawn from a variety of governmental sources by the National Center for Educational Statistics.

As Figure 21 shows, federal activity in research increased markedly during World War II and after the war for other purposes. The post-war proliferation of federal education purposes expenditures was due partly to the high level of congressional confidence in higher education which resulted from higher education's important part in war research, training, and management.

The second reason was a phenomenal increase in public demand for higher education. The industrializing economy was consistently requiring more and more highly educated workers and could guarantee a return on educational investment. Attendance at low-tuition state institutions had been rising rapidly. The G.I. Bill of Rights, without intending to, solidified the various aspects of public demand. Since almost every male had been in the Army, the Bill was tantamount to encouraging subsidized higher education for anyone. Since Congress had early in the legislative debate rejected applying ability criteria, higher education thereby completed the transformation from an elite to a mass institution.

The World War II G.I. Bill served 7,800,000 veterans, 29 percent at institutions of higher education at a total cost of $14.5 billion dwarfing any previous federal actions. By the time of the Korean War G.I. Bill, demand had increased so much that 55 percent of the Bill's beneficiaries went to institutions of higher education. This massive influx was due partly to deferred education during the war, partly to the federal incentive, and partly to a tight labor market. But the demand remained at high levels even after subsidized veterans had left.

Capacity became a major problem, and Congress passed the Housing Act of 1950 to relieve it. Opposition to direct federal activity in higher education was still strong during the 1950s despite the obvious public demand. The Housing Act had to be passed as a defense-related measure through a housing, not an education, congressional committee.

The G.I. Bill itself was originally intended as a means to reduce employment market pressures in the expected post-war recession rather than to redefine for whom college education was appropriate. As student aid, it averted constitutional constraint on aid to church-related activity and the unhappy politics of excluding church-related institutions.

Other forces besides the growth in public demand, were building for greater federal aid to education, The Zook Commission in 1946 and the Josephs Committee in 1956 stressed the waste of natural resources when able students were denied access to higher education. The former recommended permanent federal scholarships and loans. Against this congressional counsel were pitted the politics of local control and fears that church-related or racially segregated institutions would be ignored in the provisions of the legislation.

Sputnik convinced Americans they had lost scientific supremacy in a scientific age. Congress moved quickly to stimulate higher education to scientific purposes in the national interest. "Russia's classrooms and libraries, her laboratories and teaching methods may threaten us more than her hydrogen bombs," noted Senator Thomas Benton in 1956. President Eisenhower in 1957 voiced a similar view: ". . . our schools are more important than our Nike batteries, more necessary than our radar warning nets and more powerful than the energy of the atom."

In 1958, in the aftermath of Sputnik, Congress passed the National Defense Education Act. NDEA provided aid for unrestricted undergraduate loans, graduate fellowships, and financial assistance to science, math, and language departments and for research on utilizing technology to make instruction more efficient. The precedent for comprehensive federal aid had been established.

Under-capacity was a problem in higher education after the war just as over-capacity had been before and during it. An education lobby which had developed around the issues of capacity and the wasted resources could now claim that aid to institutions was part of the expanded federal responsibility to meet the nation's manpower development needs. By 1963, the religion, race, and local control issues were sufficiently under political control to permit a direct institutional aid measure without benefit of a national defense mantle—the Higher Education Facilities Act.

From its accelerating use for specific purposes, higher education itself had at last become a federal priority. Most importantly, the goal of expanding access developed into national policy. The G.I. Bill supported anyone who could gain admittance, leaving the definition of for whom college was appropriate up to the institutions, which, with low enrollment, broadened it considerably. NDEA extended mass access during peace time and provided extra incentives for those who were specially qualified. The most recent enrollment-supporting federal action reflects the language found in the 1963 Facilities Act: "this and future generations of American youth can be assured ample opportunity for the fullest development of their intellectual capabilities. . . ." The Basic and Supplementary Opportunity Programs of the Higher Education Amendments of 1972 were designed to provide access to higher education regardless of personal financial resources.

The history of federal activity is one of gradually increasing frequency of use of higher education for national purposes, culminating in the passage of the NDEA. As the federal government turned its resources toward domestic problems, its policy became one of using higher education for specific national purposes and the general use of higher education as a means to secure equal economic opportunity in society. This purpose became the main element in the 1972 Amendments to the Higher Education Act, although the grant programs themselves have not yet been fully funded.

Thus, the federal role in higher education is quite limited as to purpose. It is essentially one of purchasing of services—for students or for the government itself. The federal government does not have a general program of direct support for institutions. As part of the government's responsibility for national defense and the domestic quality of life, the Departments of Defense, Agricultural, Health, Education and Welfare, and others spend over $2 billion each year for research. The Veterans and Social Security Administrations spend over $4 billion in student tuition and living expenses aid; the Office of Education administers over $500 million in Basic Equal Opportunity Grants, and the commitment to this program is increasing. Expenditures for institutions' facilities and operations is a small relative priority.

The federal role also includes the indirect effects of federal civil rights and labor policy as well. The federal role—heavy support of students and research, weak support of institutions—reflects the traditional suspicion of federal influence in education. Its role is to use higher education research and training purposes where they clearly serve national purposes, to compensate veterans and social security dependents, and to underwrite access to higher education for needy students. Support of institutions themselves is limited to that which is felt necessary to support those purposes.

Evolving Role of the Federal Government

It is clear that recent federal policies increasingly seek to reflect a "market approach" to higher education. The market approach means putting most of the federal expenditures in the hands of students who choose among institutions rather than in the institutions themselves. Student-oriented expenditures have been a rising priority in new education initiatives, at the expense of direct aid to institutions.

Aid to students has risen from 50 percent of the Office of Education's higher education budget to over 90 percent in the current budget. These expenditures, coupled with the even larger sums from the Veterans and Social Security Administrations reinforce the market approach in federal policy.

Higher education was an ascending priority in the budgets of the late 1960s, but this trend seems to have been reversed. Environmental and health objectives, inflationary deficits, and a recessed economy have challenged higher education's claims in the federal budget. In fact, despite the substantial commitment to student aid and equal opportunity, support for students is relatively lower now than it was when the first G.I. Bill was in effect. "The benefits which covered 40 percent of their annual cost of going to school, were not a function of their past, current, or future income; rather they were regarded as an entitlement. But today, when federal assistance is directed toward broadening access to needy students—who presumably need a level of support relatively even greater than did returning veterans—the proportion of total student expenses covered by federal support is less than 30 percent."*

Because of the weakened federal interest in higher education, the threats to the budget posed by the national debt and recession, and competition with other pressing problems, federal funding is expected to stabilize, at best, and possibly decline in real terms. With the exception of more adequate funding for the BEOG program and some new proposals for tuition equalization grants for private school students, there is little for higher education in the warm winds of federal policy deliberations.

*Van Alstyne, op. cit., p. 2.

Footnotes

1. George Rainsford, *Congress and Higher Education in the Nineteenth Century* (Knoxville, Tenn.: University of Tennessee Press, 1972), pp. 6–7.

2. See Merle Curti and Roderick Nash, *Philanthropy in the Shaping of American Higher Education* (New Brunswick, N.J.: Rutgers University Press, 1965). This volume is the basic historical work on the subject. We are pleased to acknowledge its value in the preparation of this essay.

3. Scott Cutlip, *Fund Raising in the United States* (New Brunswick, N.J.: Rutgers University Press, 1965).

4. Thomas Cochran, *Basic History of American Business* (Princeton, N.J.: D. Van Nostrand Co., Inc. 1959), p. 41.

5. McGeorge Bundy, "Private Institutions in the Public Service: An Old Tradition in a New Day," speech to the Commonwealth Club of California, November 1, 1973, p. viii.

6. For observations of a foreign expert on this point, see Joseph Ben-David, *American Higher Education* (New York: McGraw Hill Book Co., 1972).

7. Carnegie Commission on Higher Education (1973); Committee for Economic Development (1973); National Board on Graduate Education (1974); National Commission on the Financing of Postsecondary Education (1973); National Council of Independent Colleges and Universities (unpublished preliminary report); Special Task Force to the Secretary of HEW (1973).

8. Vance Hartke, "Foundations: Blue Prints for Progress," *Foundation News*, Vol. 15, No. 4, July/August, 1974, pp. 19–20.

9. Lawrence Cremin, *American Education: The Colonial Experience, 1607–1783* (New York: Harper and Row, 1970), p. 25.

10. Curti and Nash, op. cit.

11. Ibid., p. 13.

12. Jesse Sears, *Philanthropy in the History of American Higher Education*, U.S. Bureau of Education, Bulletin No. 26, 1922, pp. 31–32.

13. Sears, ibid., p. 51.

14. Frederick Rudolph, *The American College and University: A History* (New York: Vintage Books, 1962), pp. 48–49.

15. Oscar and Mary Handlin, *The American College and American Culture* (New York: McGraw Hill Book Co., 1970).

16. Curti and Nash, op. cit., p. 92.

17. Edward D. Eddy, *Colleges for Our Land and Time* (Westport, Conn.: Greenwood Press, 1974), p. 10.

18. Sears, op. cit., p. 51

19. Ibid., p. 58.

20. Ibid.

21. Ibid., p. 54.

22. National Commission on the Financing of Postsecondary Education, *Financing Postsecondary Education in the United States* (Washington, D.C.: U.S. Government Printing Office, 1973), p. 107.

23. Carnegie Commission on Higher Education, *Higher Education: Who Pays? Who Benefits? Who Should Pay?* (New York: McGraw Hill Book Co., 1973), p. 57.

24. U.S. Office of Education, National Center for Educational Statistics, *Projections of Educational Statistics to 1982–83* (Washington, D.C.: U.S. Government Printing Office, 1973).

25. U.S. Office of Education, National Center for Educational Statistics, *Digest of Educational Statistics, 1973 Edition* (Washington, D.C.: U.S. Government Printing Office, 1973); U.S. Office of Management and Budget, *Special Analyses of the Budget of the United States Government, Fiscal Year 1975, Analysis H* (Washington, D.C.: U.S. Government Printing Office, 1974).

26. Carol Van Alstyne, "Higher Education National Priorities," address to 30th annual National Conference on Higher Education (The American Council on Education), Chicago, Illinois, March 25, 1975, p. 2.

27. There is considerable debate on this question which we shall avoid. See for example, Robert Goheen, "Is Private Philanthropy 'Government Money'?" *Ripon Forum*, February 1974, or Stanley Surrey, *Pathways to Tax Reform* (Harvard University Press, 1973), pp. 223–236.

28. For a more detailed discussion of differential impact on institutions, see Hans Jenny, "Philanthropy in Higher Education," paper prepared for the Commission on Private Philanthropy and Public Needs, 1975.

29. The Center for Research and Development in Higher Education, under contract with the Carnegie Council, recently completed an analysis of questionnaires received from 1,251 institutions (49 percent response). The questionnaire included several questions on federal and philanthropic support for higher education.

30. "Philanthropy" is used here to mean voluntary and private support that can be evaluated in money terms. Unless otherwise specified, the receipient of the expenditure will be an institution of higher education and not students, families, support agencies, or intermediary conduits of

funds. Philanthropy includes gifts, grants, and contracts. Grant and contract support differ from gifts in that the former include specific demands for use.

31. Council on Financial Aid to Education, *Voluntary Support of Education, 1972–73* (New York: CFAE, 1974), p. 10.

32. Bundy, op. cit.; David Packard, "Corporate Support of the Private Universities," speech to the Committee for Corporate Support of American Universities, New York, October 17, 1973.

33. Council on Financial Aid to Education, op. cit., p. 10.

34. Ibid., p. 12.

35. Hayden Smith, *The Importance of the Elimination of Private Philanthropy*, unpublished memorandum to Earl Cheit, Carnegie Council on Policy Studies in Higher Education, Berkeley, California, 1974.

36. Jenny, op. cit.

37. Forty-one college presidents were sent a questionnaire that asked about the past, current, and expected impact of philanthropy on their institutions. Thirty-eight responded, and their responses are referred to in this section.

38. Howard R. Bowen, unpublished speech to a meeting of the Council on Financial Aid to Education, Dallas, Texas, March 9, 1969.

39. Committee for Economic Development, *The Management and Financing of Colleges* (New York: CED, 1973), p. 74.

40. Howard R. Bowen, "Financing Higher Education: The Current State of the Debate," *Higher Education, Human Resources and the National Economy* (Washington, D.C.: Association of American Colleges, 1974), p. 38.

41. Richard Lyman, remarks to the 1974 Annual Conference of the National Association of Independent Schools and the California Association of Independent Schools, March 21, 1975.

42. Aaron Wildavsky and David Good, "A Tax by Any Other Name: Budget vs. Tax Alternatives for Financing Governmental Support of Charitable Contributions," paper prepared for the Commission on Private Philanthropy and Public Needs, 1975.

43. Willard T. Hunter, *The Tax Climate for Philanthropy* (Washington, D.C.: American College Public Relations Association, 1968), p. 130.

44. Ibid., p. 118.

45. Martin Feldstein, "On the Effects of the Income Tax Treatment of Charitable Contributions: Some Preliminary Results," paper prepared for the Commission on Private Philanthropy and Public Needs, 1974.

46. Richard Friedman, director HEW Region V, in Fritz Heimann (ed.), *The Future of Foundations*, The American Assembly (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1973), p. 175.

47. Lois Rice, "Federal Student Assistance: Title IV Revisited," paper presented to the 57th annual meeting of the American Council on Education, San Diego, California, October 11, 1974.

48. Blair T. Bower, "The Role of Private Philanthropy in the Environmental Sector," paper prepared for the Commission on Private Philanthropy and Public Needs, 1974.

49. Marion Folsom, "Who Should Pay for Higher Education," in Selma Mushkin (ed.), *Economics of Higher Education*, U.S. Department of Health, Education and Welfare, (Washington D.C.: U.S. Government Printing Office, 1962), p. 195.

50. See Jenny, op. cit., for a full description of "tuition gap" between public and private institutions.

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PHILANTHROPY IN HIGHER EDUCATION: ITS MAGNITUDE, ITS NATURE, AND ITS INFLUENCE ON COLLEGE AND UNIVERSITY FINANCE

Hans H. Jenny[†] and Mary Ann Allan*

Introduction

This paper concentrates on four broad questions:

1. What is and has been the magnitude of private philanthropic support in higher education?

2. What kinds of educational activities are being financed with philanthropic dollars, and how does such support differ among institutions?

3. What is and has been the influence of voluntary support on the financial health of educational institutions?

4. What could be some of the consequences to higher educational finance if philanthropic support were to be reduced significantly?

Data from three major sources have been collected and analyzed. The description of the nature and the magnitude of private philanthropy in higher education is largely drawn from information provided by the Council for Financial Aid to Education (CFAE) and the Higher Education General Information Survey (HEGIS). For the assessment of philanthropy's impact on institutional financial health, we have relied on audited financial reports and some recent studies in higher education finance. Finally, our speculations about the future are primarily drawn from responses to our survey of public and private institutions concerning the impact of philanthropy on the scope and quality of educational activities. (For a summary of responses, see Appendix B.)

While some of the information and conclusions presented here are valid for higher education as a whole, the emphasis will be on private institutions. Private colleges and universities are the beneficiaries of the overwhelming percentage of all voluntary educational support. Because some of the problems of finance call attention to the special vulnerability of the four year collegiate sector of higher education, the discussion of evolving financial health stresses private colleges rather than universities. (The author's experience has been in the four-year liberal arts college, a fact that undoubtedly narrows his vision from time to time.)

This document does not pretend to be a comprehensive and completely objective study of higher education finance and of the philanthropy affecting it. To be comprehensive would require more detailed data than are now collected annually. As for objectivity, we confess to a bias for and belief in a strong private sector of higher education, which requires an expanding philanthropic enterprise. (Certain segments of public higher education increasingly depend on philanthropy also.)

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Summary and Findings

1. The data on private philanthropic support of higher educational institutions in the United States clearly demonstrate that gifts represent a source of income for at least three distinct major purposes: (1) they provide revenues for current operations; (2) they produce capital for plant and equipment investments; and (3) they make possible the earning of long-range income from investments through the accumulation of endowment capital assets.

2. Colleges and universities – both public and private – depend upon philanthropic support to a significant extent. Without this support, they would have to curtail their services. The private sector of higher education is especially dependent on gifts; here they are a major source of the total structure of finance. In the public sector, gifts have been increasing rapidly of late, and public institutions report that private philanthropy provides them with an "edge of quality" that public funds alone could not and would not support.

3. In the debate concerning the future of philanthropic endeavors under the tax laws, a number of proposals have been made whose effect is the probable diminution, if not the outright elimination, of those monetary incentives that now tend to induce or facilitate private giving in education and other fields. While it is difficult to assess in advance how much philanthropy would be lost – giving, after all, arises from motives that are not solely financial – the statistics presented in this paper suggest strongly that the elimination or weakening of the present incentives may cause serious financial distress among private higher educational institutions and may also adversely affect those public colleges and universities that now benefit significantly from private donations.

4. During the 1960s, higher education experienced what many now refer to as a "golden" age: Budgets grew fat, and institutional life styles began to appear more and more affluent. Since the early 1970s, the pre-occupation with growth has turned into concern for the "steady" or "declining" state. When we look at the data on philanthropy in this study, we find higher education in the midst of budget reduction, efficiency drives, and ever more meticulous and self-conscious planning for retrenchment. Thus when we say that private philanthropy is essential and when we speak of the potential danger of severe and widespread financial distress should philanthropic support decline, we do so with the realization that the fat has been or is being cut out and that gifts are necessary to support the essential educational activities of colleges and universities.

5. It has been said by us and by others that a decline in philanthropic support would hurt colleges and universities – that is, the institutions themselves. But it is the people served by these institutions who would ultimately be hurt: the students, who through philanthropy benefit from student aid, lower fees, and other services and facilities that without philanthropy would not be available; the taxpayer, who might have to replace with public funds what is now provided by philanthropy; and the public at large, who would eventually be affected by the general weakening of educational quality and lack of diversity. Should there be a significant attack against the present incentives that encourage philanthropy, the attack would be indirectly (though not explicitly) against the private sector because its financial stability now depends so much on philanthropy.

6. Highlighted below are some of this study's major findings regarding the financial impact of voluntary support in higher education:

- Total philanthropic support of higher education was estimated at $2.24 billion in 1973.

- Of 2,800 educational institutions reporting financial statistics, roughly 64 percent identified various types of philanthropic income.

- In 1973, 21.9 percent of total voluntary support went to public educational institutions and 78.1 percent went to private educational institutions. (Table 2.)

- Among the private institutions, 51.9 percent of all philanthropy in 1973 went to the major universities, 32.4 percent to coeducational colleges, and 15.7 percent to all other private institutions. This pattern of distribution has changed considerably during the last 10 years. (Table 4.)

- Between 1970 and 1972 the growth of philanthropy has been fastest for public institutions: Aggregate operating gifts reported by public institutions increased by almost 45 percent in this period, compared with slightly over 22 percent for private institutions. (Table 6.)

- On a per reporting institution basis, the average annual growth of voluntary support from 1964-1965 through 1972-1973 was highest in junior colleges and in public institutions (9.1 percent each) and lowest in major private universities (2.6 percent). (Table 7.)

- Despite the almost consistent growth of philanthropic support, its relative share of total educational expenditures has been declining for almost every type of institution and in almost every year. (Table 8.)

- Among public institutions, over 72 percent of all philanthropic income in 1972 went to universities. Only 13.3 percent went to four-year colleges and 13.4 percent to two-year colleges and medical schools. Among private institutions, roughly 50 percent of all philanthropic income went to universities, 36 percent to four-year colleges, 6 percent to seminaries, and the remaining 7 percent to two-year colleges, medical schools, and miscellaneous professional schools. (Table 9.)

- Total annual giving is almost equally divided between capital purposes and current operations. (Table 10.) Looked at by type of institution, the division is not uniform, however. (Table 11.)

- Not counting gifts for physical plant, the single largest percentage of all giving is unrestricted, averaging in excess of 40 percent of voluntary support during the last 10 years. Support for student aid has ranged between 15 and 18 percent. Physical plant gifts represent a consistently declining share of total higher education philanthropy (from 27 percent in 1965 to about 18 percent in 1973). (Table 13.)

- Among public institutions, current income from philanthropy averages less than 2 percent of total expenditures. (Table 14A.)

- Among the different types of public institutions, gifts for research and student aid together normally exceed 60 percent of all current philanthropic income (including income from endowment). Normally, endowment income accounts for between 12 and 23 percent of total philanthropic support, although this figure sometimes reaches as high as 36 percent. (Table 16; also Tables 14A, B, C.)

- Among private institutions, current income from philanthropy averages about 15 percent of total expenditures. (Table 14A.) Among the different types of private institutions, gifts for research and educational and general gifts tend to be about half (or more) of total philanthropic income. Gifts for student aid are consistently less than 10 percent of total philanthropic income. Endowment income ranges from 12 percent to about 50 percent (Table 16.)

- Aggregate figures are somewhat misleading in that they understate the weight of philanthropic income. Although the available data were not refined enough to permit properly adjusted figures, we have tried to estimate a so-called "dependency" factor (gift plus endowment income as a percent of total expenditures per reporting institution). Accordingly, the weight among public institutions ranged normally between 1 percent and 5 percent. Among private institutions, the normal range was between 9 percent and 22 percent, with an exceptionally high 80 percent for seminaries. (Table 23.)

- Another illustration of the dependence on philanthropy is the growth of capital giving, which nearly doubled between 1961 and 1973. (Table 24.)

- The ravages of inflation suffered by colleges and universities have had the effect of reducing significantly the purchasing power of the gift dollar, so much so that the gap between current and constant dollar gifts has been widening almost every year. During the last several years gifts would have had to be at least 50 percent larger to provide constant purchasing power, and for 1974 it is estimated that they would have had to be almost 80 percent larger. (Table 26.)

- Between 1965 and 1973, physical plant gifts responded to the changing capital requirements in mixed fashion. As federal and state funds became available to public and private institutions, private giving for plant remained about constant. (Table 27.) But the capital investment explosion brought with it a need for replacement (depreciation) capital. There is little evidence that public or private institutions have been building up depreciation reserves. Private philanthropy is not now a significant known source of replacement capital.

- Philanthropy has helped to reduce the much-talked-about "tuition gap" that exists among institutions with widely different tuition or total student charges. Thanks to gifts and endowment income for student aid, the student aid "deficit" or "subsidy gap" is significantly reduced. In 1972 these "deficit" reductions ranged from 12.8 percent to 47.5 percent in the public sector and from 33.6 percent to 81.9 percent in the private sector. (Table 31.)

- Long-range gift trends differ among different groupings of colleges and universities. On the whole, more institutions report that their gifts have increased over time, but there are significant numbers for whom gift income has been decreasing or has remained static. The overall impression is that gift income is a stabilizing factor.

- Those colleges and universities with increasing gifts are more likely to report decreasing debt than those who report decreasing gifts. On the other hand, institutions have been reducing their long-term debt even when their gift income has declined. And slightly more operating deficits are reported by institutions whose gifts have been increasing than by those whose gifts have declined or remained static. It should be noted that deficits seem to be reported more frequently by institutions who reduce their long-range debt, regardless of the trend in philanthropic support.

- While college and university balance sheets have been deteriorating of late and while gift and endowment income growth has not kept pace with higher education inflation, the philanthropic variable – at least through 1973 – does not seem to have been a cause for institutional financial distress. Indeed, the data suggest the opposite – that *without philanthropic support*, distress could have been serious and widespread.

- In the legislative and economic environment of the late 1970s, the picture may change dramatically. It is to be hoped that those who design fiscal and public policies will concern themselves with the potential effects that these policies may have on the financial structure and viability of higher education, particularly in the private sector. Given the financial weight and the programmatic role played by private philanthropy in private higher education, tampering with philanthropy means altering private higher education finance. The two elements cannot be separated.

- Until now, it has been the public policy that higher education finance (among other nonprofit endeavors) be supplemented to a significant degree by providing potential donors with tax-reducing incentives. The magnitude of philanthropy in higher education suggests that these incentives have worked.

- It is worth noting that the preponderant percentage of voluntary support involves the transfer of assets rather than the donor's gifts of income. Also, the donor of capital and of other large gifts tends to view these contributions as investments. This philosophy contrasts with the idea more recently advanced by tax reformers and economists that donations are consumer expenditures. The issue of whether philanthropy is an act of consumption or one of investment is a crucial one and ought to be studied more carefully before new fiscal policies are formulated.

- Another major issue that requires additional study concerns the "free market" or "competitive" argument, which maintains that "demand" will determine who remains in the higher education business. The merit of the case for competition is challenged by the political decisions that now affect and distort the market mechanism, as illustrated in part by the problem created by the "tuition gap." As noted earlier, philanthropy has played a major role in correcting some of the adverse effects of the "tuition gap."

- Finally, concerning the issue of whether private decisions produce private or social (public) benefits, it is puzzling that after decades of solid evidence of the social benefits provided by philanthropy in higher education, the point should have to be made again. The accomplishments of private philanthropy would seem to be ample testimony that something of immense value to the nation has been going on. That the need remains for continuing and expanding philanthropic efforts should not come as a surprise either. We trust that the supporting data in this report – however fragmentary they may be – will help to illustrate the magnitude, as well as some of the quality, of this significant philanthropic contribution.

I

THE MAGNITUDE OF PHILANTHROPY IN HIGHER EDUCATION

During the 1972-73 business year, voluntary support of higher educational institutions reached a record level of $2.24 billion.[1] According to CFAE, this represented an increase of about 11 percent from the preceding year, or roughly $220 million more.

Who Receives Philanthropic Support?

The question of who receives philanthropic support is very difficult to answer. The figure of $2.24 billion mentioned above is an estimate for all of higher education. Normally, figures reported by CFAE or the federal government come from and apply to those institutions in a given sample that specifically identify and itemize their philanthropic income. This important distinction is overlooked in many published summaries. In order to make a reasonably accurate assessment of the impact of voluntary support in higher education it is essential to know not only how much giving there is, but who and how many recipients there are.

For instance, all of higher education – or what the National Commission on the Financing of Postsecondary Education (NCFPSE) calls the Collegiate Sector – encompasses slightly less than 3,000 institutions.[2]

In 1972, HEGIS had received usable financial statistics from roughly 2,400 institutions; the National Center for Educational Statistics (NCES) imputed financial data for an additional 400 or so institutions, for a total of some 2,800 computer readable sets of financial data. Of the 2,800 colleges and universities represented in the sample, roughly 1,781 listed gifts for educational purposes. This does not mean that the other institutions did not receive gifts; it merely means that we know that 1,781, or about 64 percent, definitely had such gifts. In a smaller sample of slightly over 1,300 colleges and universities studied by the NCFPSE, more than 840 institutions reported educational operating gifts.[3] The CFAE normally reports on the philanthropic support received by some 1,000 colleges and universities. Table 1 sheds some additional light on who reports gifts and endowment income, and the reader should keep these facts in mind as we turn to the statistics on philanthropy.

Table 1

Who Receives (Reports) Philanthropic Support?

		Number of Public and Private Institutions Reporting Income From Various Sources							
		GIFTS				ENDOWMENT			
	Number in	Educational & General		Student Aid		Educational & General		Student Aid	
Sample	Sample	Public	Private	Public	Private	Public	Private	Public	Private
Standard HEGIS Classification	2,801	384	1,397	723	896	186	1,016	245	626
NCFPSE, HEGIS, Carnegie Sub-Classification	2,798	383	1,397	723	896	185	1,016	244	626
NCFPSE, HEGIS Institutions also reporting to the Salary Survey of the American Association of University Professors	1,327	214	628	432	481	122	545	166	399
CFAE	1,020	217	903	NA	NA	NA	NA	NA	NA

Philanthropic support is distributed very unevenly among higher educational institutions. First, according to the CFAE, more than three fourths of all gifts reported go to private institutions. For instance, the council reports that in 1972-73 public colleges and universities received 21.9 percent of all gifts compared with 78.1 percent for their private counterparts. The corresponding figures for 1964-65 were 15.7 percent for public and 84.3 percent for private institutions. Thus, there has been a marked increase in the share of philanthropy received by public institutions. Tables 2 and 3 provide additional details about the evolving pattern.

The major private universities have received and continue to receive the lion's share of the monies donated to private higher education. Between 1964-65 and 1971-72 this share grew from 45.6 percent of all gifts to a record 53.2 percent; it dropped slightly to 51.9 percent in 1972-73. The next most significant recipients are the coeducational private colleges, which account for about one third of all gifts. Between 1964-65 and 1972-73 there was a dramatic decline in the gift share received by all other private institutions – a drop from 25.5 percent to 15.7 percent of all gifts received. Table 4 traces the nine-year evolution.

Table 2

Percentage Distribution of Total Voluntary Support[a]
in Public and Private Higher Education, Per Mean
Reporting Institution, 1964-65 through 1972-73

	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73
Public Institutions									
Number Reporting	191	191	193	203	185	197	231	222	217
Percentage of Support	15.7%	19.8%	19.2%	17.6%	18.5%	19.8%	21.6%	21.6%	21.9%
Private Institutions									
Number Reporting	873	842	849	840	828	845	849	871	803
Percentage of Support	84.3%	80.2%	80.8%	82.4%	81.5%	80.2%	78.4%	78.4%	78.1%

a. Includes both current operating and capital gifts. HEGIS reports do not include capital gifts.

Source: Adapted from 1972-73 CFAE Report.

Table 3

Percentage Distribution of Operating Gifts in
Public and Private Higher Education, Per Mean
Reporting Institution, 1969-70 through 1971-72

	1969-70	1970-71	1971-72
Public Institutions			
Number Reporting	367	670	723
Percentage of Support	15.4%	16.6%	16.3%
Private Institutions			
Number Reporting	1370	1396	1397
Percentage of Support	84.6%	83.4%	83.7%

Source: HEGIS data provided to NCFPSE.

Table 4

Percentage Distribution of Voluntary Support in
Private Higher Education, Aggregate Dollars

Type of Institution	1965	1966	1967	1968	1969	1970	1971	1972	1973
Major universities	45.6%	45.0%	46.9%	53.5%	51.7%	54.1%	51.3%	53.2%	51.9%
Private coeducational colleges	28.9	28.1	28.2	24.5	28.8	28.1	29.2	31.8	32.4
All other private institutions	25.5	26.9	24.9	22.0	19.5	17.8	19.5	15.0	15.7

Source: Adapted from CFAE data.

The changing pattern of support can be described also by summarizing the annual growth rates of gifts for major subclassifications of institutions. For instance, according to the CFAE, private junior colleges experienced the most rapid growth in voluntary support between 1972 and 1973 (up by 28.1 percent), whereas the major private universities had the slowest growth (up by only 1.1 percent). Tables 5, 6, and 7 provide additional details on the comparative growth of voluntary support.

From 1965 through 1973, annual growth rates for voluntary support have varied considerably, both from year to year and among the several types of institutions (see Table 7).

Table 5

Percentage Growth of Voluntary Support by Type of Institution, Per Mean Reporting Institution

Type of Institution	1971-72	1972-73	Average Percent Growth
Junior Colleges	$146,211	$187,319	28.1%
Private Professional and Specialty Schools	1,187,921	1,498,775	26.2
Private Coeducational Institutions	847,325	1,022,166	20.6
Public Institutions	1,604,743	1,766,248	10.1
Private Women's Colleges	697,115	724,318	3.9
Private Men's Colleges	1,580,706	1,602,643	1.4
Major Private Universities	10,791,594	10,913,985	1.1

Source: Adapted from 1972-73 CFAE Report.

Table 6

Aggregate Current Revenues From Gifts and Endowment, 1969-70 through 1971-72

(in thousands of dollars)

	1969-70 $	%	1970-71 $	%	1971-72 $
Public Institutions					
Gifts	$139,316	+ 26.2%	$175,868	+ 18.7%	$208,814
Endowment income	69,438	0	69,467	- 18.8	56,430
Private Institutions					
Gifts	699,512	+ 9.3	764,486	+ 13.0	863,930
Endowment income	445,512	+ 5.9	471,808	+ 4.6	493,466

Source: HEGIS Standard Sample, NCFPSE data.

Table 7

Average Annual Growth of Voluntary Support by Type of Institution, 1964-65 through 1972-73, Per Mean Reporting Institution

	1964-65 through 1972-73 Percentage of Growth	Percentage Change of Educational and General Expenditures
Junior colleges	9.1%	33.8%
Public institutions	9.1	13.4
Private men's colleges	5.3	13.4
Private women's colleges	4.4	13.3
Private coed colleges	3.5	14.8
Professional and specialty schools	3.2	8.3
Major private universities	2.6	11.9
All institutions	5.8%	17.3%

Source: Adapted from CFAE Reports, 1964-65 through 1972-73.
See also Appendix D, Table D-1.

In Table 7, it is worth noting that educational and general expenditures per institution increased considerably faster than the corresponding total voluntary support for current operations. As a result, the relative weight of gift income has been declining rather consistently, as Table 8 shows in detail (also see Graph 1).

Table 8

Voluntary Support for Current Operations as a Percentage of Total Educational and General Expenditures, 1963 through 1973

	1963	1965	1966	1967	1968	1969	1970	1971	1972	1973
Major Private Universities	12.84%	12.96%	11.70%	11.16%	12.62%	12.03%	11.32%	10.71%	10.09%	9.76%
Private Men's Colleges	10.61	10.28	10.67	11.57	10.11	10.10	12.06	14.53	14.06	13.08
Private Women's Colleges	16.62	18.50	12.55	11.86	10.97	10.71	10.45	12.27	11.42	12.02
Private Coed Colleges	18.09	17.36	15.68	15.47	13.92	12.57	12.17	11.04	11.93	12.04
Professional and Specialty	15.42	13.86	21.61	15.07	16.64	12.73	10.55	11.98	10.98	10.56
Public Institutions	3.87	3.75	3.93	3.74	3.41	3.32	3.49	3.17	3.39	3.11
Mun. Colleges and Universities	3.70	3.73	4.38	3.70	4.29	2.67	3.42	2.35	--	--
Junior Colleges	6.71	6.14	10.70	6.10	5.12	4.04	3.66	3.42	1.32	2.92
Total	8.43%	8.20%	7.99%	7.50%	7.37%	6.80%	6.77%	6.24%	6.04%	6.26%

Source: CFAE Summary Tables 1963-1973.

Table 9

Aggregate Current Revenues from Gifts and Endowment Income, 1971-72. HEGIS-Carnegie Commission-NCFPSE Sample

(in thousands of dollars)

Type of Institution	Public		Private	
	Aggregate	Percent	Aggregate	Percent
Leading research university	$109,834	41.5%	$488,242	36.0%
Other research universities	49,186	18.6	113,279	8.3
Large doctoral granting institution	25,764	9.7	50,282	3.7
Small doctoral granting institution	7,554	2.9	35,077	2.6
All universities	192,338	72.7	686,880	50.6
Comprehensive college I	26,639	10.1	79,193	5.8
Comprehensive college II	8,045	3.1	39,745	2.9
All comprehensive colleges	34,684	13.2	118,938	8.7
Selective liberal arts college	1		152,016	11.2
Other liberal arts colleges	350	.1	220,481	16.2
All liberal arts colleges	351	.1	372,497	27.4
Two-year institutions	11,676	4.4	35,321	2.6
Seminaries, etc.	--	--	86,037	6.3
Medical schools	23,891	9.0	11,810	.9
All others	1,670	.6	46,113	3.5
Total	$264,610	100.0%	$1,357,396	100.0%

Table 9 uses the Carnegie Commission Classification (see Appendix A) and illustrates how the philanthropic dollar is distributed among the various types of institutions. The total impact of philanthropy on current operations in 1971-72, according to Table 9, was $264.6 million for public and $1.36 billion for private institutions. Thus, public institutions had 16.3 percent of total philanthropic operating income, compared with 83.7 percent for all private institutions. In both the public and the private sector, the research universities had the largest single share of the total income. In the private sector, the four-year colleges stand out with their 36.1 percent share.

The foregoing summaries provide the reader with a broad picture of who benefits from the philanthropic dollar, of how the public sector has increased its reliance on voluntary support, and of how the different growth rates of gifts for current operations have on the whole been inadequate in that they have not kept pace with the growth of operating expenditures.

What Does Philanthropy Support?

We now turn to the question of what types of activities private philanthropy has been supporting. In order to find the answer, we are once again limited by statistical convention: Those who survey this area have developed their own classifications; these tend to be rather broad and may not have the same meaning from one survey to another where terminology is identical or similar. The reader should assume that the following data are not interchangeable with that of related surveys.

According to the CFAE, voluntary support is distributed among the following types of purposes:

Table 10

Types of Activities Supported by Private Philanthropy, Per Mean Reporting Institution, 1972 and 1973

	Per Reporting Institution		
Type of Support	1971-72	1972-73	Percent Increase
Student aid	$ 196,470	$ 246,540	25.5%
Faculty compensation	74,100	87,180	17.7
Research	192,650	223,970	16.3
Unrestricted	505,630	582,880	15.3
Other	537,650	576,090	7.2
Total	1,506,500	1,716,660	14.0
Operations	803,010	910,900	13.4
Capital	703,490	805,760	14.5

Source: CFAE Report, 1973. For comparable HEGIS data, see Appendix D, Tables D-2, D-5, D-6.

Overall, roughly half of the annual giving is for current operations and half is for capital purposes. The latter include primarily plant and equipment purchases and the establishment of annuity (or life income) and endowment funds. The distribution of support between operating and capital purposes varies among institutions:

Table 11

Distribution of Voluntary Support Between Current Operations and Capital Purposes, 1973

Type of Institutions	Current Operations	Capital
Major private universities	51.7%	48.3%
Private men's colleges	36.6	63.4
Private women's colleges	47.0	53.0
Private coed institutions	44.8	55.2
Professional and special schools	50.0	50.0
Public institutions	68.1	31.9
Junior colleges	49.6	50.4

Source: CFAE Report, 1973.

The largest share of total voluntary support has been in the form of unrestricted funds. Between 1965 and 1973 the figure has varied between 40 and 45 percent; it dipped below 40 percent only twice, in 1967 and in 1969. Table 12 and Graph 1 trace the historical pattern exclusive of plant funds.

Table 12

Percentage Distribution of Aggregate Voluntary Support of Higher Education by Major Purpose, 1964-65 through 1972-73

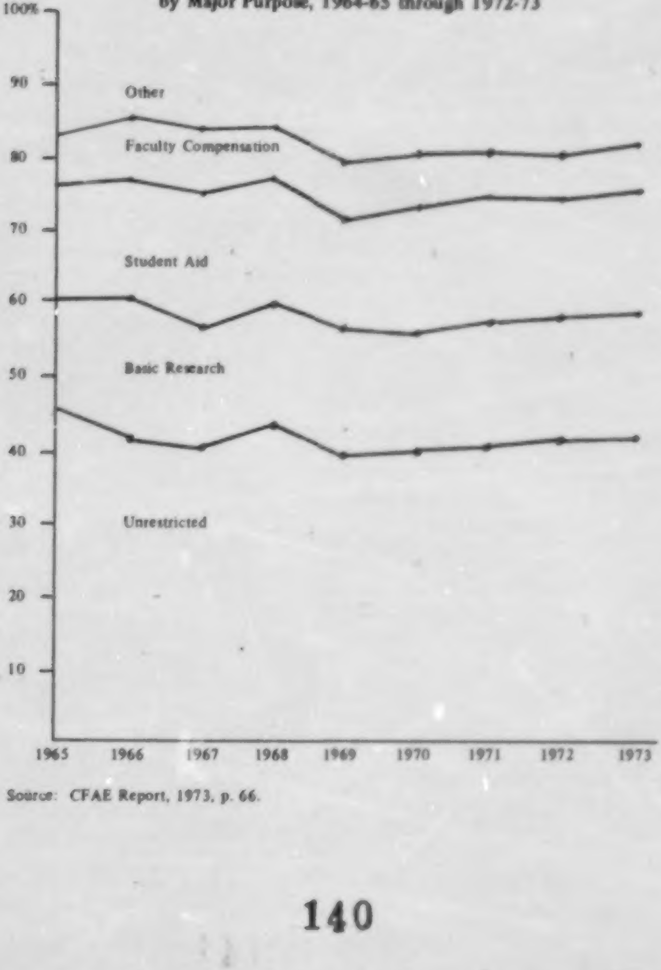
Purpose	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73
Unrestricted	45.0%	41.3%	39.8%	43.7%	38.9%	40.1%	40.3%	41.7%	41.6%
Basic research	15.3	19.3	16.4	16.3	16.7	15.5	16.8	15.9	16.0
Student aid	15.7	16.3	18.2	16.8	15.7	17.6	17.2	16.2	17.6
Faculty compensation	6.9	8.2	8.8	7.2	7.2	6.8	5.8	6.1	6.2
Other	17.1	14.9	16.8	16.0	21.5	20.0	19.9	20.1	18.6

Source: Adapted from CFAE Report, 1973. See also Appendix D, Tables D-2, D-5, D-6.

Columns may not add to 100 percent because of rounding.

Graph 1

Percentage Distribution of Total Voluntary Support by Major Purpose, 1964-65 through 1972-73



Source: CFAE Report, 1973, p. 66.

This is a relatively stable pattern and contrasts sharply with the trend exhibited by voluntary support for physical plant, where there has been an almost uninterrupted relative decline:

Table 13

Percentage Share of Plant Gifts, 1964-65 through 1972-73
(Aggregate Total Voluntary Support = 100%)

Purpose	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73
Physical Plant	26.8%	25.4%	24.6%	23.3%	25.2%	22.0%	21.0%	19.6%	18.4%

Source: CFAE Report, 1973, p. 56. See also Appendix D, Table D-2.

On the surface, this development in plant gifts would seem to make sense: Toward the middle of the 1960s the enrollment explosion had begun to subside, and thus the need for new plant appeared to have diminished; furthermore, federal and state programs had been set up to cope with the physical plant requirements of higher educational institutions. Nevertheless, the preceding statistics disguise a long-range problem to which we shall return in Chapter II.

In the preceding exhibits adapted from data published by CFAE, gifts for operating and capital purposes are not sharply identified under each major purpose. Therefore, it may be useful to look at some statistics that concentrate chiefly on philanthropic support as it affects the college and university current operating account. Our main source for this is the financial data provided by HEGIS to the CFPSE.

HEGIS identifies the following types of gifts under the heading of "current revenues": (1) gifts for educational and general purposes, (2) gifts for sponsored research and for other activities, and (3) gifts for student-aid grants. In addition, the HEGIS survey itemizes endowment income for educational and general purposes and for student-aid grants. The refinement does not go further; thus, the following illustrations are taken from data provided by the responding institutions under some or all of the above mentioned subheadings.

Tables 14A through 22 summarize the record of philanthropic support that emerges from the institutional accounting system for both public and private institutions. (For additional tables, see Appendix D.) The reader should be careful in evaluating the meaning of the trends exhibited by the aggregates because in many instances relatively few institutions in the sub-samples report a particular income item. *The total impact of philanthropic income will look less significant when we measure it against industry income as a whole than if we could measure it only against the total revenues of the institutions that report philanthropic income.*[4]

The figures in Table 14B are derived from Table 14A. They represent voluntary support by purpose as a percent of total gifts and endowment. For example, educational and general gifts to public institutions (Table 14A, line 1) in 1970 represented 27.9 percent of total gifts and endowment income (Table 14A, line 10) received by public institutions.

Table 14C shows, however, that on a per mean reporting institution basis, public institutions have received a declining share of the total philanthropic revenues. For instance, the per institution public share of total gifts dropped from 24.8 percent in 1969-70 to 23.1 percent in 1971-72, and endowment income per institution fell from 18.7 percent to 12.6 percent. Total philanthropic income declined from 22.6 percent in 1969-70 to 20.9 percent in 1970-71 and to 19.6 percent in 1971-72.

We cannot be sure that the responding institutions have identified precisely enough all the funds received for research or that they have reported under "student aid" only those gifts that donors specified for this purpose. Some institutions report as student aid gifts transfers to student aid from unrestricted

Table 14A

The Impact of Aggregate Voluntary Support for Current Revenues in Higher Education, 1969-70 through 1971-72, HEGIS Standard Sample

(in thousands of dollars)

Purpose	Public			Private			Total		
	1970	1971	1972	1970	1971	1972	1970	1971	1972
Education and general									
Gifts	$ 58,334	$ 67,232	$ 90,072	$ 555,066	$ 610,278	$ 674,044	$ 613,400	$ 677,510	$ 764,116
Sponsored research	19,302	30,554	32,576	54,624	53,847	79,921	73,926	84,401	112,497
Other research	8,401	14,919	16,185	15,381	28,961	32,157	23,782	43,880	48,342
Sub-total	86,037	112,705	138,833	625,071	693,086	786,122	711,108	805,791	924,955
Student aid gifts	53,279	63,163	69,981	74,441	71,400	77,808	127,720	134,563	147,789
Total gifts	139,316	175,868	208,814	699,512	764,486	863,930	838,828	940,354	1,072,744
Endowment	57,084	55,491	45,260	389,545	414,077	424,944	446,629	469,568	470,204
Student aid endowment	12,354	13,976	11,170	55,967	57,731	68,522	68,321	71,707	79,692
Total endowment income	69,438	69,467	56,430	445,512	471,808	493,466	514,950	541,275	549,896
Total gifts and endowment income	208,754	245,335	265,244	1,145,024	1,236,294	1,357,396	[illegible],353,778	1,481,629	1,622,640
Total education and general revenues	11,005,421	12,392,349	13,646,052	5,560,793	6,058,166	6,610,307	16,566,214	18,450,515	20,256,359
Total revenues	13,849,664	15,589,832	16,813,841	7,757,382	8,360,543	9,181,491	21,607,046	23,950,375	25,995,332
Total expenditures	13,331,537	15,057,605	16,240,555	7,804,043	8,386,030	9,101,724	21,135,580	23,443,635	25,342,279
All Philanthropic Income (line 10) as Percent of:									
Education and general income	1.9%	2.0%	1.9%	20.6%	20.4%	20.5%			
Total revenues	1.5	1.6	1.6	14.8	14.8	14.8			
Total expenditures	1.6	1.6	1.6	14.7	14.7	14.9			

Table 14B

Voluntary Support by Purpose, as a Percent of Total Gifts and Endowment, 1970-1972

(in thousands of dollars)

Purpose	Public			Private			Total		
	1970	1971	1972	1970	1971	1972	1970	1971	1972
Education and general									
Gifts	27.9%	27.4%	34.0%	48.5%	49.4%	49.7%	45.3%	45.7%	47.1%
Sponsored research	9.3	12.5	12.3	4.8	4.4	5.9	5.5	5.7	6.9
Other research	4.0	6.1	6.1	1.3	2.3	2.4	1.8	3.0	3.0
Sub-total	41.2	45.9	52.3	54.6	56.1	57.9	52.5	54.4	57.0
Student aid gifts	25.5	25.8	26.4	6.5	5.8	5.7	9.4	9.1	9.1
Total gifts	66.7	71.7	78.7	61.1	61.8	63.7	62.0	63.5	66.1
Endowment	27.4	22.6	17.1	34.0	33.5	31.3	33.0	31.7	29.0
Student aid endowment	5.9	5.7	4.2	4.9	4.7	5.1	5.1	4.8	4.9
Total endowment income	33.3	28.3	21.3	38.9	38.2	36.4	38.0	36.5	33.9

Table 14C

The Impact of Voluntary Support for Current Revenues in Higher Education, Per Mean Reporting Institution, 1969-70 through 1971-72, HEGIS Standard Sample

(in thousands of dollars)

Purpose	Public						Private						Public vs. Private Relative Share of Philanthropic Support Per Mean Reporting Institution					
													Public			Private		
	1970	Percent[a]	1971	Percent	1972	Percent	1970	Percent	1971	Percent	1972	Percent	1970	1971	1972	1970	1971	1972
Education and General																		
Gifts	$ 865	26.3%	$ 590	20.1%	$ 703	23.4%	$ 3,365	29.9%	$ 3,500	[illegible]	$ 3,833	31.0%	20.5%	14.4%	15.5%	79.5%	85.6%	84.5%
Sponsored research	623	19.0	671	22.8	785	26.1	2,185	19.4	1,574	14.2	2,246	18.2	22.2	29.9	25.9	77.8	70.1	74.1
Other research	301	9.2	436	14.8	440	14.6	722	6.4	1,105	10.0	1,117	9.0	29.4	28.3	28.3	70.6	71.7	71.7
Sub-total	1,789		1,697		1,928		6,272		6,179		7,196		22.2	21.6	21.1	77.8	78.5	78.9
Student aid gifts	521	15.9	408	13.9	425	14.1	718	6.4	632	5.7	629	5.1	42.1	39.1	40.3	58.0	60.9	59.7
Total gifts	2,310		2,105		2,353		6,990		6,811		7,825		24.8	23.6	23.1	75.2	76.4	76.9
Endowment	796	24.2	681	23.2	543	18.1	3,650	32.5	3,689	33.3	3,805	30.8	17.9	15.6	12.5	82.1	84.4	87.5
Student aid endowment	181	5.5	154	5.2	112	3.7	596	5.3	593	5.4	740	6.0	23.3	20.6	13.2	76.7	79.4	86.9
Total endowment income	977		835		655		4,246		4,282		4,545		18.7	16.3	12.6	81.3	83.7	87.4
Total gifts and endowment income	3,287		2,940		3,008		11,236		11,093		12,370		22.6	20.9	19.6	77.4	79.1	80.4
Total education and general revenues	78,506		48,814		48,620		46,929		45,405		48,709							
Total revenues	101,460		62,682		60,934		63,631		61,161		65,513							
Total expenditures	98,425		60,079		58,104		64,256		61,638		65,109							
All Philanthropic Income (line 10) as Percent of:																		
Education and general income	4.2%		6.0%		6.2%		23.9%		24.4%		25.4%							
Total revenues	3.2		4.7		4.9		17.7		18.1		18.9							
Total expenditures	3.3		4.9		5.2		17.5		18.0		19.0							

a. Represents for each line the percent of Total Gifts and Endowment Income (line 10) gifts. Nonetheless, it may be useful to concentrate on the three subtotals (Table 14A, lines 4, 6 and 9). From these a few conclusions are worth noting.

For instance, we have already pointed out that the share of *aggregate* philanthropic support received by public institutions has been increasing. The data in Table 14A support this conclusion. Table 15 gives some additional facts.

Table 15

Percentage Distribution of Current Gift and Endowment Income:
Public versus Private Institutions, 1969-70 through 1971-72

	1969-70	1970-71	1971-72
(Total gifts = 100%)			
Share of public institutions	16.6%	18.7%	19.5%
private institutions	83.4	81.3	80.5
(Total gifts and endowment income = 100%)			
Share of public institutions	15.4	16.6	16.4
private institutions	84.6	83.4	83.6
(Total gifts = 100%)			
Share of public universities	12.8	14.9	15.4
private universities	33.3	32.8	34.6
Share of public 4-year institutions	3.2	3.0	3.2
private 4-year institutions	46.9	45.4	43.0

For more data, see Appendix D, Table D-3.

It is interesting to note that in the aggregate, in excess of 40 percent of all gift income is reported by private four-year institutions, and about a third of all gifts go to the private universities. Thus, regardless of which year we consider, private universities and four-year colleges consume at least 77 percent of gifts reported to HEGIS on current account. Another aspect of the same phenomenon is illustrated by Table 16.

Thus the relative weight of a given philanthropic income item depends upon the type of institution studied. For instance, among public institutions generally, gifts for student aid represent a far more significant share of total philanthropic income than among private colleges and universities. On the other hand, as we would expect, endowment income represents a larger proportion of total philanthropic support in almost all types of private institutions than in most types of public institutions. The more the data are aggregated, however, the more distorted and blurred become the distinctions, as Table 17 shows.

The marked differences between the percentages in the columns designated "Aggregate $" and those designated "Per Institution $" are worth pointing out: By calculating per mean reporting institution gift income, a significant shift takes place, particularly in the comparative weight of the research dollar. Much of this type of philanthropic income is concentrated among a few institutions.

Perhaps most interesting is the consistent difference in the weight of student aid gifts when we compare public and private institutions. Table 16 referred to all current philanthropic revenues (including endowment income); Table 18 pertains to *gift income only*.

While the percentage of gifts going to student aid is large for public institutions generally, the amount received by them per full-time equivalent student is not. Table 19 shows that private universities and colleges fare better in this respect.

The next and last group of summary tables (Tables 20-22) is perhaps somewhat more revealing of the impact of philanthropy on individual institutions. The data pertain to the 1,327 universities and colleges that normally report their faculty salaries to the American Association of University Professors (AAUP). The sample is *less than half* of the institutions reporting to HEGIS but represents 61.4 percent (public) and 70.3 (private) of the total philanthropic current income reported to HEGIS, or 68.8 percent of all gifts reported.[5]

Table 16

Percentage Distribution of Gift and Endowment Income
by Purpose, HEGIS-Carnegie Commission - NCFPSE Sample, 1972

Public Institutions	Educational and General Gifts	Gifts for Research	Gifts for Student Aid	Educational and General Gifts and Student Aid Endowment
Leading research universities	37.1%	17.2%	24.6%	21.1%
Other research universities	27.6	30.0	21.2	21.2
Large doctorial granting institutions	31.6	8.0	25.1	35.3
Small doctorial granting institutions	15.5	15.0	50.5	19.2
All universities	33.1	19.1	24.8	23.0
Comprehensive colleges I	28.3	11.0	48.1	12.6
Comprehensive colleges	17.9	46.9	20.8	14.4
All comprehensive colleges	25.9	19.3	41.8	13.0
Selective liberal arts colleges	100.0	--	--	--
Other liberal arts colleges	9.1	6.0	69.6	15.4
All liberal arts colleges	9.4	6.0	69.2	15.4
Two-year institutions	25.3	2.8	55.2	16.8
Seminaries, etc.	--	--	--	--
Medical schools	56.0	19.5	3.0	21.5
All others	27.1	14.0	22.6	36.3
Total	33.8	18.4	26.5	21.3
Private Institutions				
Leading research universities	31.7	14.5	4.6	49.2
Other research universities	34.2	21.6	6.1	38.1
Large doctorial granting institutions	74.3	5.9	4.8	14.6
Small doctorial granting institutions	46.1	2.9	7.5	43.4
	35.9	14.5	5.0	44.6
Comprehensive colleges I	56.4	1.8	8.9	32.9
Comprehensive colleges II	62.2	1.6	5.4	30.9
All comprehensive colleges	58.3	1.7	7.7	32.2
Selective liberal arts colleges	40.3	.9	7.0	51.8
Other liberal arts colleges	75.9	1.6	6.6	15.9
All liberal arts colleges	61.4	1.3	6.8	30.5
Two-year institutions	83.1	.5	3.3	13.1
Seminaries, etc.	72.3	1.1	4.0	22.6
Medical schools	48.2	28.7	3.5	19.6
All others	69.2	2.3	8.1	20.4
Total	49.7	8.3	5.7	36.4

Except for rounding, the percentages should add to 100 horizontally. See Appendix D, Table D-2 for additional data.

Table 17

Percentage Distribution of Gift and Endowment Income
by Purpose, from Standard HEGIS Categories, NCFPSE Sample.

(1972 Gift + Endowment Income = 100%.)

Purpose		PUBLIC		PRIVATE	
		Aggregate $	Per Institution $	Aggregate $	Per Institution $
Gifts:	For operations	34.0%	23.4%	49.7%	31.0%
	Research	18.4	40.7	8.3	27.2
	Student aid	26.3	14.1	5.7	5.1
Endowment Income		21.3	21.8	36.3	36.7
Total		100.0%	100.0%	100.0%	100.0%

Table 18

Student Aid Gifts as a Percent of All Gifts
Received by Public and Private Institutions, 1972

Type of Institution	Public		Private	
Leading research universities	31%	(21)[a]	9%	(18)
Other research universities	27	(29)	10	(17)
Large doctoral granting institutions	39	(18)	7	(9)
Small doctoral granting institutions	63	(19)	13	(11)
All universities	37		9	
Comprehensive colleges I	48	(48)	13	(70)
Comprehensive colleges II	24	(46)	8	(39)
Selective liberal arts colleges	--	(3)	14	(114)
Other liberal arts colleges	82	(15)	8	(139)
Two-year institutions	66	(296)	5	(97)

a. Number in parentheses is that of the institutions reporting such gifts.

Source: HEGIS-Carnegie Commission - NCFPSE Sample

Table 19

Gift Income for Student Aid, Aggregate Per Reporting Institution
and Per Full-Time Student, 1972
(in thousands of dollars)

Type of Institution	Aggregate		Per Mean Reporting Institution		Per Full-Time Student	
	Public	Private	Public	Private	Public	Private
Leading research universities	$26,994	$22,399	$1,205	$1,244	$46	$127
Other research universities	10,446	6,904	360	408	21	60
Large doctorial granting institutions	6,458	2,411	359	268	32	31
Small doctorial granting institutions	3,811	2,646	201	241	17	39
Comprehensive colleges I	12,810	7,039	87	101	13	28
Comprehensive colleges II	1,671	2,130	36	53	11	30
Selective liberal arts colleges	--	10,630	--	93	--	72
Other liberal arts colleges	243	14,506	16	41	60	50
Two-year institutions	6,443	1,552	16	16	8	31
Seminaries, etc.	--	3,443	--	31	--	130
Medical schools	776	410	43	51	26	60

Source: HEGIS-Carnegie Commission - NCFPSE Sample.

Table 20 summarizes four years of philanthropic income and lists the number of institutions reporting each item. Among public institutions, more of them report student aid gifts than any other type of philanthropic income; among private institutions, more of them report educational and general operating gifts than any other type of income. As would be expected, relatively few institutions report large amounts of gifts for research. Table 21 provides information on the number of institutions reporting philanthropic income, as does Table D-4 in Appendix D.

Finally, Table 22 reports the data from Table 20 per mean reporting institutions and measures the relative weight of each sub-component. Per reporting institution, philanthropic income grew 63.8 percent (public) and 33.4 percent (private) between 1970 and 1972 (1969 data are incomplete). The weight of endowment income should be noted: In private institutions it is significant, as one would expect; in public institutions, it is perhaps surprisingly large.

In conclusion we should like to repeat some of the major findings: First, philanthropic income composed of gifts and current endowment income pays a major role in the financing of educational operations in private higher education and is rapidly growing in importance for certain public institutions. Second, not every institution that reports income and expenditures identifies its philanthropic income; for those who do, particularly in the private sector, philanthropic income is equal to nearly one quarter of all educational expenditures. Third, the distribution of the philanthropic dollar depends to a large extent on the type of institution receiving it. The research gift is shown to be concentrated among the universities, and it is

Table 20

Total Aggregate Philanthropic Income Reported by Public and Private Institutions, 1968-69 through 1971-72, HEGIS-NCFPSE-AAUP Sample

[illegible]

	1971-72	No. of Institutions Reporting	1970-71	No. of Institutions Reporting	1969-70	No. of Institutions Reporting	1968-69	No. of Institutions Reporting
	Public		Public		Public		Public	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]		[illegible]		[illegible]		[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]		[illegible]		[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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[illegible]		[illegible]		[illegible]		[illegible]		[illegible]
	[illegible]		[illegible]		[illegible]		[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]		[illegible]		[illegible]		[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]		[illegible]		[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]		[illegible]		[illegible]	
[illegible]	[illegible]		[illegible]		[illegible]		[illegible]	
[illegible]		[illegible]		[illegible]		[illegible]		[illegible]
[illegible]		[illegible]		[illegible]		[illegible]		[illegible]

Table 21

Number of Institutions (by Carnegie Commission Classifications) Reporting Gift Income, 1972; HEGIS-NCFPSE-AAUP Sample, 1,327 Institutions

Type of institution	Educational & General Gifts		Sponsored Research		Other Research and Sponsored Programs		Student Aid	
	Public	Private	Public	Private	Public	Private	Public	Private
Leading research universities	15	17	7	12	6	6	16	16
Other research universities	18	17	12	13	10	10	25	16
Large doctoral granting institutions	14	9	6	3	5	1	18	8
Small doctoral granting institutions	6	12	3	5	1	2	13	10
All universities	53	55	28	33	22	19	70	50
Comprehensive colleges I	70	67	16	9	26	11	128	54
Comprehensive colleges II	19	38	4	4	8	5	33	28
All comprehensive colleges	89	105	20	13	34	16	161	82
Selective liberal arts colleges	1	93	0	20	0	19	0	103
Other liberal arts colleges	4	265	2	16	0	21	10	199
All liberal arts colleges	5	358	2	36	0	40	10	302
Two-year institutions	62	30	0	0	7	1	186	18
All other	8	50	1	3	2	2	8	29
Total	217	588	51	85	65	78	433	481

important to remember that not every major university has identified such gifts (about two thirds of those who report gifts also report gifts for research). Finally, while the importance of philanthropic income may be increasing when we look at the financial needs of institutions, philanthropic income has actually declined as a share of total income, even though during the early 1970s a moderate stabilization took place. No doubt, this effect may have been connected with the publicity given to the widespread worsening of higher education finance, particularly to those aspects that result from the sharp decline in public (especially federal) support. We now turn to some considerations of institutional financial distress.

Table 22

Total Per Reporting Institution Philanthropic Income, 1968-69 through 1971-72
(From Table 20)

(in thousands of dollars)

	1971-72	Percent of Total Gifts and Endowment	1970-71	Percent of Total Gifts and Endowment	1969-70	Percent of Total Gifts and Endowment	1968-69	Percent of Total Gifts and Endowment
	Public		Public		Public		Public	
Operating gifts	$ 198	17.3%	$ 187	18.5%	$ 145	19.6%	$ 113	30.1%
Sponsored research	353	30.8	235	23.2	201	27.2	NA	
Other sponsored activities	175	15.3	157	15.5	96	13.0	NA	
Sub-total	726	63.4	579	57.3	442	59.7	113	30.1
Endowment	248	21.6	276	27.3	193	26.1	163	43.5
Total education and general gifts and endowment	974	85.0	855	84.6	635	85.8	276	73.6
Student aid gifts	120	10.5	103	10.2	72	9.7	69	18.4
Student aid endowment	52	4.5	53	5.2	33	4.5	30	8.0
Sub-total	172	15.0	156	15.4	105	14.2	99	26.4
Total gifts and endowment	$1,146		$1,011		$ 740		$ 375	
	Private		Private		Private		Private	
Operating gifts	$ 662	25.0%	$ 585	25.3%	$ 529	26.7	$ 494	41.7
Sponsored research	747	28.3	635	27.5	589	29.7	NA	
Other sponsored activities	364	13.8	294	12.7	129	6.5	NA	
Sub-total	1,773	67.0	1,514	65.5	1,247	62.9	494	41.7
Endowment	607	23.0	576	24.9	512	25.8	477	40.2
Total education and general gifts and endowment	2,380	90.0	2,090	90.4	1,759	88.7	971	81.9
Student aid gifts	122	4.6	109	4.7	112	5.7	109	9.2
Student aid endowment	142	5.4	114	4.9	111	5.6	106	8.9
Sub-total	264	10.0	223	9.6	223	11.3	215	18.1
Total gifts and endowment	$2,644		$2,313		$1,982		$1,186	

II

WHAT IS AND HAS BEEN THE INFLUENCE OF VOLUNTARY SUPPORT ON THE FINANCIAL HEALTH OF EDUCATIONAL INSTITUTIONS?

Because of private philanthropic support, the financial health of educational institutions has been stronger than it would have been without it.

Those speaking on behalf of public institutions assert that voluntary support is providing an "edge of quality" above and beyond what state appropriations, federal monies, and income from student charges would provide. As for private colleges and universities, voluntary support has from their founding been taken for granted as an essential and integral part of their finances.

The impact of voluntary support differs in quality and in magnitude. Table 23 suggests how varied the impact is on different types of institutions for current operations.

Table 23

The Dependency Factor: Gift and Endowment Income as a Percent of Total Expenditures, Per Reporting Institution, 1972

Type of Institution	Public	Private
Major research universities	4.3%	16.3%
Other research universities	3.1	13.6
Large doctorial granting institutions	4.9	15.9
Small doctorial granting institutions	2.3	15.1
Comprehensive colleges I	2.2	9.7
Comprehensive colleges II	9.6	16.5
Selective liberal arts colleges		21.2
Other liberal arts colleges	1.1	22.2
Two-year institutions	3.7	24.6
Seminaries, etc.		80.4
Medical schools	5.7	6.0

Source: HEGIS-Carnegie Commission-NCFPSE Sample.

Although the percentages may be smaller for universities, the actual sums of money are sometimes very large. The primary issue in connection with the question of financial health appears to be whether voluntary support is essential to maintain the preferred quality and number of educational and research services in the reporting institutions and whether such support will or must grow in the future.

In addition, we must consider the history of voluntary support for higher education plant and other capital formation. Here, unfortunately, available statistics are incomplete. Nonetheless, it is generally known that in private institutions, capital of any sort (plant, large equipment, and endowments) came from but one source prior to the enactment of federal legislation after World War II – *from private voluntary support.* Moreover, systematically planned long-term plant debt was virtually unknown among private institutions. Plant debt tended to occur more frequently in cases where anticipated gifts did not materialize after building projects were begun.

Table 24 shows how voluntary support for capital has evolved between 1960-61 and 1972-73 (other details can be found in Tables 11 and 13).

Table 24

Voluntary Support for Higher Education, Capital Gifts Only, 1960-61 through 1972-73

(in millions of dollars)

Type of Support	1961	1963	1965	1966	1967	1968	1969	1970	1971	1972	1973
Capital only	$380.9	$426.8	$644.9	$563.7	$572.5	$619.1	$700.6	$615.9	$596.8	$721.3	$755.9

Source: CFAE Reports, 1960-61 through 1972-73.
See also Appendix E, Table E-1.

The structure of capital giving by type of institution is shown in Table 25.

The dependence on private philanthropy, while varied among institutions, must be termed "significant" or "substantial." By this we mean that normally even small percentage decreases in gift income will have detrimental effects on institutional solvency. And the vulnerability increases as the dependency factor becomes larger, which we shall see below. We now take up four specific economic or managerial phenomena that of late have contributed to a worsening of higher education finance. In each instance we have attempted to show what role voluntary support has been and could be playing.

Inflation and Higher Education

Until recently, not much was known about inflation in higher education. Of course, there had been some suspicion during the 1960s that higher educational institutions suffered from considerable inflation and that the rate of this inflation was probably more than for the economy in general (as measured by the Consumers' Price Index).

After several recent studies,[6] each of which was conducted quite independently of the others, it can now be categorically stated that the rate of inflation experienced by higher educational institutions was far more severe between 1960 and 1973 than that expressed by the Consumers' Price Index (C.P.I.) If we take 1963-64 as a base for comparison, the several studies suggest that a Higher Education Institutional Cost-of-Living Index would be at or near 176 in 1973-74 for a comparable C.P.I. of 149.3. The effect of this sort of inflation on the purchasing power of gift and endowment income dollars is, of course, devastating, as Table 26 and Graphs 2 and 3 show clearly.

By the year 1973, the 1,020 institutions represented in the CFAE survey would have required an additional $549,000 each in gifts in order to cover adequately the rapid expenditure growth. Graph 2 suggests that some of the needed gift growth might have been possible, since voluntary support (line 3) seems generally to have grown less rapidly than either the Gross National Product (line1) or Personal Income (line 2).

Graph 3 suggests that growth in college and university real spending (after institutional inflation) began to slow down in the late 1960s and has now almost subsided (line 2). In sharp contrast are the growth trends shown by current dollar expenditures and voluntary support (lines 1 and 3).

From the preceding illustrations, which could be multiplied many times with similar data representing other samples of institutions, several conclusions can be drawn. First, we could say that philanthropy has been inadequate which, from the above, is of course true. On the other hand, it is interesting to note how voluntary support grew more rapidly after 1971. Why? Certainly it occurred in part because the plight of institutions was well publicized. When legislatures reacted on a rather wide front to the campus disorders by tightening higher education budgets and when the federal government dramatically reduced its research and graduate support, *it was the private donors who came to the rescue.* Their motives may have been influenced in part by pending tax legislation, but the data are clear on one

Table 25

The Structure of Capital Giving by Type of Institutions, 1972

Type of Institution		Support of Current Operations			Capital Support			Total		Percent of Change for 861 Institutions from 1971-72	Percent of Change for Mean from 1971-72
		Aggregate	Per Institution	Percent of Total	Aggregate	Per Institution	Percent of Total	Aggregate	Per Institution		
Major private universities	(65)	$367,017,125	$5,646,417	51.7%	$342,392,074	$5,267,570	48.3%	$ 709,409,199	$10,913,987	+ 1.5%	+ 1.1%
Private men's colleges	(14)	8,206,424	586,173	36.6	14,230,617	1,016,472	63.4	22,437,041	1,602,645	- 6.0	+ 1.4
Private women's colleges	(85)	28,911,272	340,132	47.0	32,655,258	384,179	53.0	61,566,530	724,311	+ 1.7	+ 3.9
Private coed colleges	(433)	198,244,973	457,840	44.8	244,353,190	564,326	55.2	442,598,163	1,022,166	+19.0	+20.7
Professional and specialty schools	(71)	53,234,578	749,782	50.0	53,178,635	748,994	50.0	106,413,213	1,498,776	+ 6.7	+26.2
Public institutions	(217)	260,959,039	1,202,576	68.1	122,317,183	563,673	31.9	383,276,222	1,766,249	+20.0	+10.0
Junior colleges	(135)	12,541,225	92,897	49.6	12,747,056	94,422	50.4	25,288,281	187,319	+28.1	+28.0
Total	(1,020)	$929,114,636	$ 910,896	53.1%	$821,874,013	$ 805,758	46.9%	$1,750,988,649	$ 1,716,654		

Source: CFAE Report, 1973.

Table 28

Inflation and Other Economic Indicators and the Growth of the Philanthropic Dollar

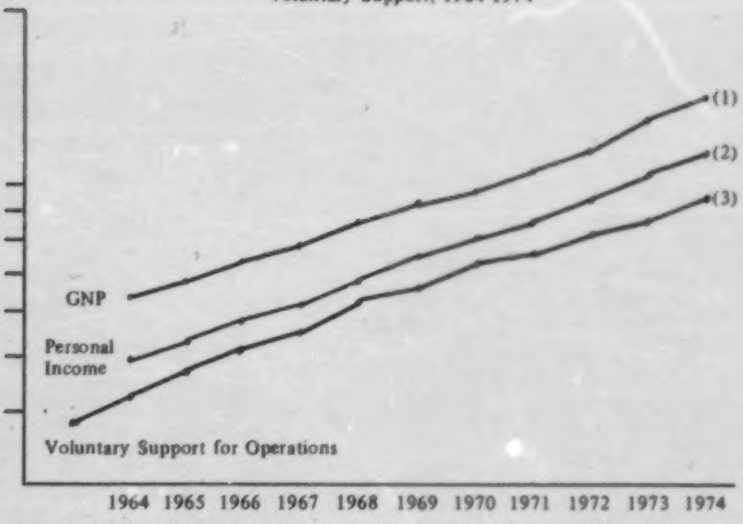
Year	GNP[a]		Personal Income[a]	Per Institution Educational and General Expense[b]	Higher Educational Deflator[c]	Col. (4) in 1963-64 Dollars[b]	Per Institution Operating Gifts[b]	Operating Gifts Necessary to Compensate for Higher Education Inflation	
		1964=100						Additional[d]	Total[e]
		(in billions)		(in thousands)	(percent)	(in thousands)		(in thousands)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1963-64	$ 632.4	$632.4	$ 497.5	$ 4,995 2	100.0%	$4,995	$421.1		$ 421.1
1964-65	684.9	674.0	538.9	6,094.6	104.3	5,844	504.7	+$ 21.7	526.4
1965-66	749.9	725.9	587.2	7,311.6	108.8	6,721	584.1	+ 51.4	635.5
1966-67	793.9	746.8	629.3	7,976.3	114.5	6,966	598.5	+ 86.8	685.3
1967-68	864.2	785.6	688.9	8,927.4	120.8	7,390	657.6	+ 136.8	794.4
1968-69	930.3	811.1	750.9	10,219.7	128.6	7,947	694.9	+ 198.7	893.6
1969-70	977.1	810.2	808.3	11,120.3	137.0	8,117	752.6	+ 278.5	1,031.1
1970-71	1,054.9	826.7	864.0	12,245.9	145.1	8,440	764.1	+ 344.6	1,108.7
1971-72	1,158.0	866.1	944.9	13,290.0	151.9	8,747	803.0	+ 457.8	1,260.8
1972-73	1,294.9	934.9	1,055.0	14,546.8	160.3	9,075	910.9	+ 549.3	1.460.2
1973-74	1,402.0	919.3	1,130.0	16,001.5	176.0	9,092	983.8	+ 747.7	1.731.5

Note: Columns 8 and 9 indicate how much more gift income (8) and how much total gift income (9) the mean reporting institution would have required in order to maintain the purchasing power of the educational gift dollar at the 1963-64 level. Given the rate of higher education inflation suggested by Column 5, gifts would almost have had to double in 1974 in order to provide the impact they had in 1964.

Sources:
- a. United States Department of Commerce, Survey of Current Business, Vol. 54, No. 10 (October, 1974), pp. 39 and 40.
- b. CFAE Reports.
- c. Adapted from the sources in footnote 11.
- d. Calculated by subtracting column (7) from column (9).
- e. Calculated by multiplying column (7) by column (5).

Graph 2

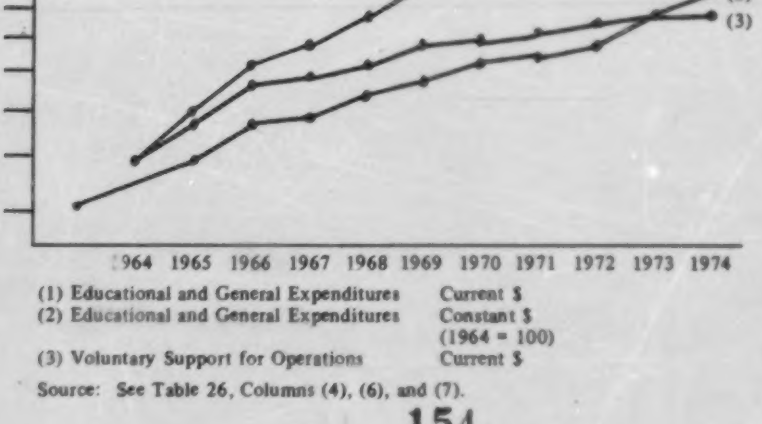
National Income Indicators and
Voluntary Support, 1964-1974



Source: See Table 26, Columns (1) and (3), and Total Operating Gifts from Appendix E, Table E-1.

Graph 3

Educational and General Expenditures and Operating Gifts,
Per Reporting Institution, 1964-1974



(1) Educational and General Expenditures	Current $
(2) Educational and General Expenditures	Constant $ (1964 = 100)
(3) Voluntary Support for Operations	Current $

Source: See Table 26, Columns (4), (6), and (7).

point: *voluntary support increased when public support became weak.* Thus, while there was much talk about financial distress, the increases in voluntary support made it less of a disaster. Private philanthropy on behalf of higher educational operations had returned to a growth path similar to that of the GNP and of Personal Income. Even during the most recent recession voluntary support for higher education remained at record levels.

As for the recent past, voluntary support has contributed not merely to institutional solvency but to a certain degree of financial stability. The institutions that rely regularly on gift income for operations may experience annual fluctuations in the actual monies received. On the other hand, there is a core of giving that is quite stable, as most reports of giving will show. Institutional vulnerability increases when there are sharp economic shifts, as at present, and also when there are changes in the laws that determine the financial and tax incentives for giving. Some of the 1972-73 increases in philanthropic support may have stemmed from actions by donors that were taken to forestall future losses or penalties should adverse tax legislation be passed. Many deferred capital gift arrangements appear to have been the direct result of the latest tax legislation. The correspondence and the reports from the institutions seem to support such a conclusion (see Appendix B).

The Need for Capital

When economists study pricing practices and the comparative profitability and efficiency of the normal business firm, they make a distinction between what they call the short run and the long run. By short run they refer to a situation where the price and the volume of sales are just adequate to help the firm pay for its variable costs. The long run, on the other hand, would be defined as a condition where prices and sales produce enough revenues to pay for all the costs, fixed and variable. In practice, this would also enable a firm to depreciate its plant and equipment investments and to "retain" a reasonable amount of "unexpended" profit after taxes.

In higher education the situation is unfortunately quite different. Historically, the "price" has not been set to defray even short-run costs. The normal dependence on gifts and endowment income among private institutions and on government appropriations among public institutions is perhaps the best testimony to the inadequacy of the "price," even in the economist's notion of the short run. And until government plant loans became a widespread phenomenon in higher education finance, the then-predominant private sector of colleges and universities did not have in its total revenues from student fees (tuition, room, and board), from endowment investments, and from gifts any generally recognized funds designated for capital programs. True, equipment and plant repairs and even some replacements were included among total current expenditures. But formal plant and equipment depreciation was officially rejected by a policy established through the National Association of College and University Business Officers.

Some very interesting official reasons were given for this practice. One of these suggested that private businesses included depreciation charges because they were selling their products and services for profit and because profits were taxed. Another reason given was that depreciation costs should not be included because the investments were made by "others" (usually private donors) and thus had been of zero cost to the institution. A third reason, in part related to the second, was that students should not be charged any "future" costs in the sense that present debits for depreciation would create "reserves" that would be used in the future to renovate or to buy new plant and equipment. The clincher was the official argument that those who financed the existing fixed capital investment (other than tenured faculty and other "permanent" staff) would also provide its replacement if and when the time came.

The most simple reason for not including among current expenditures some reasonable amount for capital consumption was never mentioned officially: *normal income flows were barely adequate to defray non-capital costs; to stipulate that colleges and universities might include depreciation among their current annual costs would have thrown the whole industry into a mammoth aggregate operating deficit.* In the public sector it would furthermore have required larger annual appropriations than the legislatures tend to be inclined to provide. Thus a major opportunity to dramatize the industry's capital needs has been missed.

After World War II an important change oocurred in higher education finance. The government loan at highly preferred interest rates (typically 3 to 3-7/8 percent) came into being for public and private institutions. Gradually, several state agencies were set up that allowed private colleges and universities to borrow public funds at tax-exempt interest. Today, debt service (interest plus debt reduction) involving obligations to the public treasuries has become a normal college and university expenditure. But because of how the other current operating revenues are obtained, debt service has become a major reason for financial distress among certain private colleges, as several studies have pointed out.[7] In some institutions, long-term debt to private creditors makes matters worse, especially when escalated sharply as has been the case recently.

Thus, today, current college and university revenues are expected to defray normal operating expenditures plus debt service costs but not capital depreciation. And the official expectation is, particularly for the private sector, that new capital – whether for major plant and equipment replacement or for new investments – will be provided from outside non-current revenue-centered sources. *There are only two such capital sources: the government (state, federal, and in some cases, local) and private philanthropy.*

In the past, both sources have been prolific though inadequate providers of capital funds. The government's share of capital investments increased dramatically during the post-Sputnik years and especially during the enrollment explosion of the 1960s. During the late 1960s and more recently, however, there has been a sharp slowing down of public capital investments. Private philanthropy has provided large sums of money also, although a complete record is difficult to obtain.

Table 27

Philanthropic Support of Capital in Higher Education, 1964 through 1973

(in millions of dollars)

Type of Support	1965	1966	1967	1968	1969	1970	1971	1972	1973
All Capital	$644.9	$563.7	$572.5	$619.1	$700.6	$615.9	$596.8	$721.3	$755.9
Plant only	334.0	311.9	212.5	319.4	368.2	323.5	311.1	322.6	322.8
Other than plant	310.9	251.8	260.6	299.7	332.4	292.4	285.7	398.7	433.1

Source: CFAE Reports. See also Tables 24 and 25.

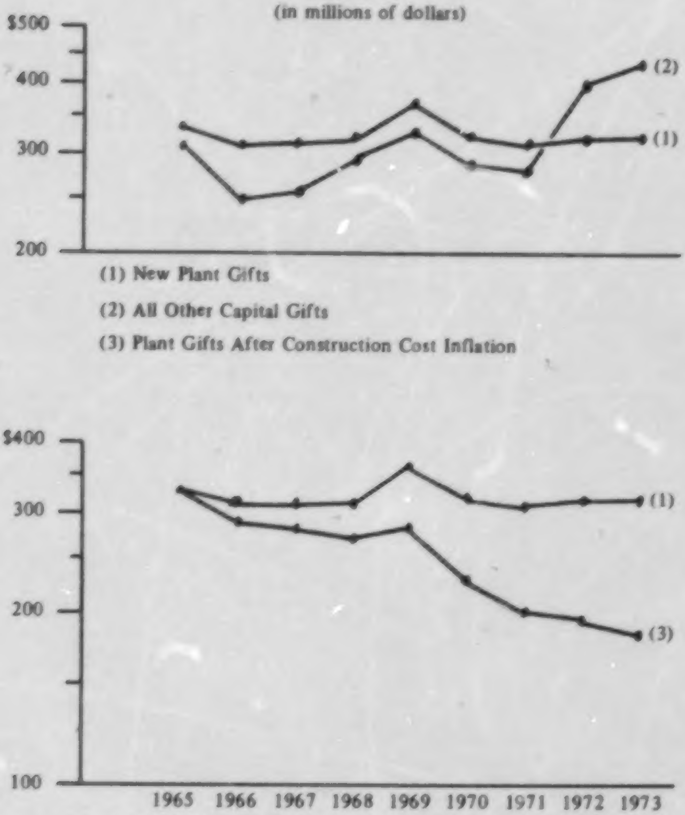
Four conclusions can be drawn from Table 27 and Graph 4. First, plant gifts in current dollars have remained remarkably stable. Second, when we apply a composite cost of construction index to determine how much purchasing power has been lost or gained, the dismal fact becomes obvious: aggregate plant gifts buy less and less new plant. In terms of current plant requirements and present long-range enrollment expectations, the plant gift trend may make sense. However, in terms of future replacement needs and rapidly evolving obsolescence, capital formation through plant gifts is completely inadequate.

The NCFPSE estimated that between 1969-70 and 1971-72 new plant construction added between $340 million and $600 million in potential long-range depreciation capital in current dollars, depending on whether one assumes a 20-year

Graph 4

Philanthropic Support of Capital in Higher Education, 1965-73

(in millions of dollars)



Source: Construction Review (February/March, 1974), pp. 44 and 45, and Table 27.

or a 50-year life span.[8] In a group of 48 private colleges, another study estimates that construction between 1960 and 1970 may have added a need of $17.8 million in new replacement capital, assuming 35 years of usable life and prevailing rates of inflation in the cost of construction.[9] And it is well known that modern teaching technology, new teaching methods and classroom life styles, and preferred residence hall living arrangements have escalated the need for rearranging the physical environment long before the normal "historical" rate of obsolescence has taken its toll.

The third important conclusion that must be drawn from the evidence on capital giving is that some of it increases college and university expenditures quite significantly. For instance, the NCFPSE estimates that some $600 million of new operating expenditures have been added to college and university budgets during three years of new plant construction. On the basis of rather stable industry ratios it is possible to estimate that the new plant gifts reported in Table 27 may have added between a minimum of $117 million to as much as $138 million of new operating expense. To the extent to which such additional operating expenditures are not matched by new philanthropic operating income, the financial health of institutions may be subjected to severe strain. This may be less of a problem when the general economy, enrollments, and institutional income experience simultaneous growth. But when we come up against a period of stagnation or, as at present, contraction amidst general and rapid inflation, financial distress may ensue.

The fourth finding refers to the sharp increase in non-plant capital giving and pertains to the effect of deferred giving between 1972 and 1973. According to CFAE, reported endowment funds declined slightly in value for well-known reasons; bequests remained about the same. The primary increase came from charitable ramainder trusts, life-income contracts, and other forms of deferred giving. The increase in this area in 1973 was more than 56 percent from the previous year which also set a record.

In conclusion, we summarize as follows: (1) Both public and private higher educational institutions depend on plant and endowment capital formation from private voluntary support. (2) Support for plant construction has remained relatively static in current dollars and has declined consistently and sharply in constant dollars. Plant construction entails future operating costs; if these are not covered with additional voluntary support, financial stress (if not distress) may ensue. (3) Plant support excludes depreciation reserve accumulation; the same is true in most institutions: normal current revenues are not adequate to build up such reserves. (4) Non-plant capital growth has increased sharply since 1971, but the evidence after two very good years is too limited to permit an estimate of whether the trend will continue, however much of a need for more capital there may be. (5) Whether we look at the "depreciation" cost problems, the long-range magnitude of pent-up capital replacement needs, or the desire to adapt educational facilities and technology to new student and pedagogical demands and the need to improve higher education productivity, the "capital starvation" that is characteristic particularly of private higher education should be a public concern. A type of socialist capital rationing at the federal and state level and private catch-as-catch-can philanthropy represent the present capital foundation of the higher education enterprise. Without the private effort, however inadequate it may be, the entire burden would fall on public treasuries.

Finally, it is worth noting that private philanthropy provides capital from relatively few sources. College after college reports that from 80 to 95 percent of their capital gifts come from somewhere between 7 to 15 percent of the donors. Even current operating support adheres to these proportions. The present mean is that roughly 10 percent of the donors provide from 90 to 95 percent of all gifts. The accepted ratio used to be 80 to 20 percent. Thus the college and university capital responsibility (or burden), to the extent to which it is assumed by private donors on behalf of public and private institutions, falls on relatively few private philanthropic sources. Their cultivation is an expensive and time-consuming enterprise. In the absence of such support capital starvation would surely increase, since it is doubtful – as recent experience makes abundantly clear – that current revenues can be improved to enable the creation of "retained earnings" reserves. Neither student nor taxpayer will soon begin to foot the bill more directly.

The Student's Ability to Pay: The Tuition Gap

The problems posed by the so-called tuition gap have been well publicized in several recent studies.[10] We shall not go over all the ground that has been well ploughed. Here we shall limit ourselves to a few aspects that relate to philanthropy.

Table 28

The Tuition Gap: Ohio Private Institutions Compared with Ohio Public Institutions, 1974-75

Private Colleges and Universities in Ohio	Private College Tuitions and Fees	Tuition Gap that Results if we:		
		Divide by Mean State University Tuition	Divide by Mean Tech. College Tuition	Divide by Mean Community College Tuition
		(ratio)	(ratio)	(ratio)
Oberlin College	$3,304	4.34	5.85	8.58
Antioch College	3,195	4.19	5.66	8.30
Kenyon College	3,036	3.98	5.37	7.89
Denison University	2,970	3.90	5.26	7.71
Case Western Reserve University	2,875	3.77	5.09	7.47
Cleveland Institute of Music	2,872	3.77	5.08	7.46
Hiram College	2,835	3.72	5.02	7.36
Ohio Wesleyan University	2,800	3.68	4.96	7.27
Otterbein College	2,750	3.61	4.87	7.14
Wittenberg University	2,694	3.54	4.77	7.00
Baldwin-Wallace College	2,679	3.52	4.74	6.96
Muskingum College	2,610	3.43	4.62	6.78
Heidelberg College	2,570	3.37	4.55	6.68
Marietta College	2,550	3.35	4.51	6.62
Ashland College	2,504	3.29	4.43	6.50
Capital University	2,495	3.27	4.42	6.48
Mount Union College	2,460	3.23	4.35	6.39
Wilmington College	2,415	3.17	5.32	6.27
Defiance College	2,350	3.08	4.16	6.10
Bluffton College	2,260	2.97	4.	5.87
Ohio Northern University	2,256	2.96	3.99	5.86
Findlay College	2,205	2.89	3.90	5.73
John Carroll University	2,000	2.63	3.54	5.20
Cleveland Institute of Art	1,950	2.56	3.45	5.07
Urbana College	1,908	2.50	3.38	4.96
Rio Grande College	1,890	2.48	3.35	4.91
Ohio Dominican College	1,880	2.47	3.33	4.88
Xavier University	1,880	2.47	3.33	4.88
Malone College	1,858	2.44	3.29	4.83
Dayton, University of	1,830	2.40	3.24	4.75
Mt. St. Josepth on-the-Ohio	1,824	2.39	3.23	4.74
St. John College	1,800	2.36	3.19	4.68
Wilberforce University	1,730	2.27	3.06	4.49
Walsh College	1,699	2.23	3.01	4.41
Steubenville, College of	1,690	2.22	2.99	4.39
Edgecliff College	1,600	2.10	2.83	4.16
Ursuline College	1,575	2.07	2.79	4.09
Cedarville College	1,566	2.06	2.77	4.07
Pontifical College Josephinum	1,505	1.98	2.66	3.91
Mary Manse College	1,500	1.97	2.66	3.90
Anthenaeum of Ohio	1,425	1.87	2.52	3.70
Notre Dame College	1,400	1.84	2.48	3.64
Tiffin College	1,360	1.79	2.41	3.53
Dyke College	1,350	1.77	2.39	3.51
Franklin University	1,080	1.42	1.91	2.81
Borromeo Seminary of Ohio	1,015	1.33	1.80	2.64
Cincinnati Bible Seminary	1,003	1.32	1.78	2.61

Source: Adapted from East Ohio Gas Company, Tenth Annual Report on College Costs, Compiled by the East Ohio Gas Company, Cleveland, Ohio, 1974. See also Appendix E, Tables E-2, E-3.

The tuition gap is normally said to exist between public and private institutions. The argument is that if a public university charges $700 and a private college charges $2,800, the tuition gap is 4:1 in favor of the public institution. Actually, a tuition gap exists between any two colleges that charge a different tuition each. For instance, as Table 28 shows, between the highest-priced and the lowest-priced private school, $3,304 and $1,003 respectively, there exists a tuition gap of 3.3 to 1. Tuition levels differ among public institutions, also. For instance, in Ohio for 1974-75 the mean tuition for state universities was about $762, for public technical colleges about $565, and for public two-year community colleges about $385. Thus, there existed a tuition gap between state universities and the other public colleges, as well as between technical and community colleges:

	Tuition Gap
State university to technical colleges	1.3 to 1
State university to community colleges	2 to 1
Technical colleges to community colleges	1.5 to 1

Granted that the ratios are small within the public sector, but from a competitive point of view they are very real. For instance, during the enrollment changes that took place in the late 1960s and early 1970s, community college enrollment increased at the expense of enrollment in the public sector to as large an extent as it increased at the expense of the private sector, and probably more so.

Another important recent phenomenon is the sharp increase in the number of part-time students enrolled at public institutions. Much of this part-time enrollment may be a function of net cost or price to the student, more precisely the tradeoff between paying room and board costs while foregoing income and living at home while earning regular wages from full or part-time employment. In the illustration above (Table 28) the room and board costs at public institutions in Ohio are not very much different from those at private colleges. The highest Ohio room-and-board price gap is 1.13; and in 31 out of 40 reporting private institutions, the lodging and meal charges are less than for the mean public institution.

Thus, when the total student charges are compared, the price differential is narrowed considerably. The highest ratio is reduced to 2.26 to 1; in 34 out of 40 reporting private colleges, the gap is less than 2 to 1. (For more details, see Appendix E, Tables E-2, E-3.)

For a balanced view, the tuition or price gap must be seen in this broader light described above. In addition, we must look at how student aid narrows the gap for specific types of colleges. The National Commission for the Financing of Postsecondary Education suggests that the effective gap in tuition alone will be noticeably reduced for students receiving student aid grants.[11]

Income for student aid from gifts and endowment represents a significant source whose express purpose is to narrow the price gap for students in private colleges and universities who otherwise could not afford to attend. But such student aid income is available also to public colleges and universities (see Tables 15 through 18, 29, and 30).

These student aid income figures (Table 29) must be compared with the deficit or subsidy gap that comes about when institutions report less student aid income than student aid grant "expenditures" or "discounts."

Table 31 indicates how significant a factor student aid philanthropic income is for each type of institution. Columns (5) and (6) show the percentage by which the student aid grant deficits are reduced by student aid gift and endowment income. The deficit is reduced considerably for both public and private institutions. Voluntary support helps improve the financial health – and thus the financial risk involved – of institutions who must discount their respective prices to large numbers of students.

In conclusion, we believe that the preceding data show the dramatic need for student aid income. They also indicate that philanthropy steps into a void that seems to persist in spite of ever-mounting public efforts to subsidize the student. Thus, voluntary support in this area not only improves the financial viability of public and, in particular, private institutions: *It also renders a social service of considerable magnitude by providing more free choice and access to higher education for students who otherwise might have to opt for less expensive institutions or could perhaps not afford to attend any kind of higher educational institution.*

Table 29

Student Aid Income from Gifts and Endowment, Per Mean Reporting Institution, 1972, HEGIS-Carnegie Commission-NCFPSE Sample

(in thousands of dollars)

	Student Aid Income Per Institution		
Public Institutions	Gifts	Endowment	Total
Leading research universities	$1,285	$193	$1,478
Other research universities	360	145	505
Large doctorial granting institutions	359	68	427
Small doctorial granting institutions	201	67	268
Comprehensive colleges I	87	18	105
Comprehensive colleges II	36	24	60
Selective liberal arts colleges	–	–	–
Other liberal arts colleges	16	1	17
Two-year institutions	16	4	20
Seminaries, etc.	–	–	–
Medical schools	43	14	57
All others	–	–	–
Private Institutions			
Leading research universities	1,244	1,681	2,925
Other research universities	406	236	642
Large doctorial granting institutions	268	210	478
Small doctorial granting institutions	241	248	489
Comprehensive colleges I	101	57	158
Comprehensive colleges II	55	39	94
Selective liberal arts colleges	93	124	217
Other liberal arts colleges	43	19	62
Two-year institutions	16	8	24
Seminaries, etc.	31	35	66
Medical schools	31	5	36
All others	–	–	–

Table 30

Student Aid Grant Deficits Per Reporting Institution and Net Tuition Gap Ratios, 1971-72

(in thousands of dollars)

Types of Institution	Public	Private	Net Tuition Ratio Gap
Leading research universities	$4,183	$4,236	3.5
Other research universities	1,063	1,369	3.9
Large doctorial granting institutions	1,097	1,237	2.5
Small doctorial granting institutions	988	1,246	3.8
All universities	1,963	2,232	
Comprehensive colleges I	433	473	[illegible]
Comprehensive colleges II	288	300	3.9
All comprehensive colleges	364	379	
Selective liberal arts colleges	–	265	2.2
Other liberal arts colleges	108	121	3.8
All liberal arts colleges	108	134	
Two-year institutions	44	30	4.8
Seminaries, etc.	–	32	
Medical schools	444	77	
All others	123	86	

Source: NCFPSE, pp. 424-25 and p. 204.

Table 31

Student Aid Grant Deficit *Before* and *After* Student Aid Gift and Endowment Income, Per Institution Reporting, 1972

(in thousands of dollars)

	Student Aid Grant Deficit				Philanthropic Support Reduces Student Aid Grant Deficit by What Percentage?	
	Before		After			
	Student Aid Gifts and Endowment Income					
Type of Institution	Public	Private	Public	Private	Public	Private
Leading research universities	$4,183	$4,234	$2,705	$1,309	35.3%	69.1%
Other research universities	1,063	1,569	558	927	47.5	40.9
Large doctoral granting institutions	1,097	1,237	670	759	38.9	38.6
Small doctoral granting institutions	988	1,206	720	737	27.1	39.2
Comprehensive colleges I	433	470	328	313	24.2	33.6
Comprehensive colleges II	288	280	228	170	20.8	39.2
Selective liberal arts colleges	–	266	–	48		81.9
Other liberal arts colleges	108	121	91	59	15.7	51.2
Two-year institutions	66	39	34	15	48.5	61.5
Seminaries, etc.	–	33	–	No Deficit		
Medical schools	444	77	387	21	12.8	72.7

Source: NCFPSE, pp. 424 and 425. Columns (3) and (4) were calculated by subtracting student aid gifts and endowment income from student aid grant deficit; the latter was computed by deducting total student aid grant expenditures from gross tuition income; student fees for Auxiliary Enterprises were not used in any of the computations.

Private Philanthropy and Financial Distress in Institutions of Higher Education

In assessing the comparative financial health of higher educational institutions, the central issue is whether specified educational and related programs and activities fulfill the institutional purpose and whether there exist adequate financial, human, and material resources to carry out the intended objectives. Philanthropy plays a crucial role in providing financial support and stability for educational programs. Erratic and large fluctuations in philanthropic support can also create financial and program instability.

When we first undertook this study we expected to find convincing evidence that it is often the lack of or the sharp decline in voluntary support that brings many private institutions to or near financial collapse. For better or worse, our conclusion is on the whole quite the opposite: *colleges normally fail for reasons other than a sudden lack of philanthropic support.*

There have been several well-publicized instances where a private institution (or a program in a public university) came upon hard financial times because it lost the backing of one or two major donors. There exist institutions today where philanthropic income stems from a few donors, the loss of any one of whom would bring about severe operating deficits. (The case of the University of Pittsburgh several years ago is a well-known example, and there exist today several such situations among four-year liberal arts colleges.)

Financial vulnerability increases as the development basket contains fewer and fewer eggs. Maybe the managerial lesson is obvious: institutions who must rely on gifts should try to balance their mix of donors so that the sudden disappearance of a few major contributors cannot bring with it the financial collapse of the institution. There is also the collateral problem of who determines policy when voluntary support is heavily concentrated. (The recent case of Prescott College in Arizona comes to mind.)

The effect of large single gifts often centers on the stability of specific programs. This has been evident recently in large universities and professional schools that stress research and other than strictly instructional activities. It is worth noting that during the early 1970s, private philanthropy took up some of the financial burden created by the sudden and sharp decline in federal support for research and graduate training. For instance, between 1971 and 1972 federal support of research universities dropped on the average by some 43 percent and 19 percent per reporting public and private university, respectively; simultaneously, private gift income grew by some 19 percent and 33 percent, respectively.[12]

Large grants that support current operations tend to be of the "specified," "restricted," or "categorical" variety. This means that the grant is for a specific activity and will last for a specified time only. Some of these grants may be renewable, although this arrangement occurs less and less frequently. The grant terminates when all the monies have been spent or when the objective has been met. Staffing practice at the recipient institution may be such, however, that personnel costs continue when the grant is no longer available. In the early 1970s and even today, so-called soft-money financing of tenured positions presents a major vulnerability and cause for concern. Most institutional respondents recognize the problem as being one of proper personnel management rather than one of shortcomings in philanthropy.

In this respect it might also be noted that the financial vulnerability and risk have increased of late even where programs have been endowed through philanthropic support in the past. The severe shrinking of investment asset values is affecting the earning power of endowments and may contribute to either reduced operating support or capital consumption if historic payout levels are maintained or increased. And these same forces that affect endowments are a depressant for philanthropy in general.

Almost all capital gifts and the bulk of current gifts for operations, whether restricted or not, are or have been in the form of appreciated assets, mostly securities. The overall net erosion of capital asset values during the 1970s has been catastrophic, and the all-around effect clearly is a sharp decline in the private donor's ability to give. In this sense, because of economic factors outside the range of college and university influence, institutional dependence on gifts has made for increased vulnerability. A significant decline in private support resulting from recent recession, inflation, and high interest rates, could become the cause for widespread and serious financial distress in higher educational institutions.

But the data at our disposal concerning the recent past lead to a more optimistic conclusion: The institutions that report income from gifts and endowments consider these to be stabilizing rather than disrupting influences. Colleges and universities who claim to follow conservative budgeting practices have been able to cushion the shock of sudden changes in the pattern of funding. After looking at audited financial statements one realizes that in the recent round of shifting finances it was often the reduction in public funding that caused the financial crunch. Private philanthropic support has yet to become the primary cause.

Although there does not now exist a generally accepted formal method of financial "health" analysis for higher educational institutions, there has been considerable progress of late in isolating some of the components of such analysis. One important breakthrough is the idea that college and university operating deficits are perhaps the least reliable indicator. A balanced budget may be achieved at the expense of employees and of services that students expect or need. In our investigations we have found institutions where net worth increased while their operations showed recurring and sizeable deficits. In a survey of some 100 private colleges, covering a four-year period, only 7 institutions reported both operating deficits and declining operating fund balances for each year. In all honesty, only these seven institutions could be said to be in real financial distress. With the uninterrupted decline of their consolidated net worth, their ability to finance their preferred educational operations from year to year was in ever-greater jeopardy.[13]

For the sake of illustration and to conclude this section, we present some new data that have not been published heretofore. The findings give an idea of how complex a subject is the evaluation of the comparative financial health of educational institutions – even without any specific reference to whether educational objectives are being achieved. Before presenting the data, a few comments about the sample are in order.

The data for the sample are taken from college and university audits and from related supplementary documents. The sample itself is neither random nor representative. It is composed of schools that were left over after we discarded the numerous unintelligible financial documents. An unfortunate consequence is that we were unable to study as many institutions that are "in financial distress" as we would have preferred. Furthermore, time limitations were such that it was impossible to conduct an in-depth follow-up of underrepresented developing institutions. The information that has been gathered is interesting, nevertheless, and the reader simply must remember that we are trying to illustrate a phenomenon rather than to set forth general principles or conclusions. After ploughing through crates of audits and documents, three usable samples remained:[14] 125 private, four-year liberal arts colleges, 47 selected private colleges,[15] and 21 public and private universities.

First, we wanted to know whether colleges and universities could be classified according to distinct long-range trends in giving. The data covered the years 1969 through 1973. We established the following three groupings: (1) increasing gift and endowment income: one or both components increase overall after four years, increase three out of four years, or increase each year; (2) decreasing gift and endowment income: same conditions as (1); and (3) no trend: the four-year pattern is basically flat although from year to year there are increases and decreases.

Table 32

Number of Institutions Reporting Four-Year Trend in Gift Income

Trend in Income	21 Universities	47 Universities and Colleges	125 Colleges
Gift increasing	9	26	68
Gift decreasing	6	7	24
No trend	6	14	33

Table 33A

Aggregate Amount of Gift Income in Each Sample

(in thousands of dollars)

Year	21 Universities	47 Universities and Colleges	125 Colleges
1969	$75,027	$23,900	$37,092
1970	83,479	24,568	41,095
1971	80,450	26,894	45,189
1972	79,645	26,688	48,430
1973	NA	29,305	NA

Table 33B

Aggregate Amount of Endowment Income Reported in Each Sample

(in thousands of dollars)

Year	21 Universities	47 Universities and Colleges	125 Colleges
1969	$55,610	$25,906	$15,959
1970	57,224	28,130	16,962
1971	58,649	31,516	17,103
1972	61,919	33,847	18,659
1973	NA	29,431	NA

Table 33C

Aggregate Gift and Endowment Income, 193 Institutions

(in thousands of dollars)

Year	Gifts	Endowment Income	Total
1969	$136,019	$ 97,475	$233,494
1970	149,142	102,316	251,458
1971	152,533	107,268	259,801
1972	154,763	114,425	269,188

Compared with the 1972 HEGIS (AAUP) sample of 1,327 private institutions, which represented 68.6 percent of total reported philanthropic income, the 193 private colleges represent 19.8 percent of all reported philanthropic income. Table 37 describes how the Dependency Factor (D.F.) has evolved: for the 21 universities in our sample, philanthropy accounts for less income in 1972 than in 1969, whereas the D.F. is very stable for the two groups of colleges. Comparatively, the latter are somewhat better off than the former only as long as philanthropic income can be maintained at this level.

Next we tried to compare long-term trends in gift income with trends in long-term debt. For instance, we found that in the sample of 125 colleges, 13 of the 68 colleges with increasing gift income also had increasing debt, whereas 45 had decreasing long-term debt. Of the total 193 institutions, 128 reported decreasing long-term debt regardless of what happened to gift income. Table 34 summarizes the results.

Table 34

Long-term Debt Compared with Changes in Trends of Gift Income

125 Colleges

Increasing Gifts (68)		Decreasing Gifts (24)		No Trend (33)	
13	> ing Debt	5	> ing Debt	3	> ing Debt
45	< ing Debt	13	< ing Debt	25	< ing Debt
6	No trend	4	No trend	4	No trend
1	No debt	1	No debt		
2	Stable	1	Plant funds not given	1	Stable
1	Combined with college				
68		24		33	

47 Colleges & Universities

Increasing Gifts (26)		Decreasing Gifts (7)		No Tond (14)	
3	> ing Debt	0	> ing Debt	2	> ing Debt
20	< ing Debt	3	< ing Debt	10	< ing Debt
3	No trend	3	No trend	2	No trend
		1	No debt		
26		7		14	

21 Universities

Increasing Gifts (9)		Decreasing Gifts (6)		No Trend (6)	
3	> ing Debt	1	> ing Debt	1	> ing Debt
4	< ing Debt	4	< ing Debt	4	< ing Debt
2	No tend	1	No trend	1	No trend
9		6		6	

> ing = Increasing
< ing = Decreasing

In the analysis of institutional financial health it is of considerable interest to know whether an institution is reducing long-term debt and by how much. If it can do so while some of its income declines, it may be improving its long-range financial condition in spite of the current income pressure it may experience. There were 20 institutions of the 193 who reduced long-term debt while gift income declined. It must be added that the comparison of the gift income with the debt variable does not mean that there is a causal relationship between them.

Another interesting comparison involves the colleges and universities that have reported operating deficits by classifying them according to changes in long-term debt and gift income trends. For instance, in 1972, 21 of the 193 institutions had deficits; all had reported increasing gift income between 1969 and 1972; 5 of them also had increasing long-term debt. In contrast, among the institutions with decreasing gift income, only 8 had operating deficits in 1972, and only 2 had increasing long-term debt. Table 35 provides some additional illustrations for 1972 (see Appendix E, Tables E-4, E-5, and E-6 for the complete tables).

Table 35

1972 Comparison of Changes in Gift Income and Long-term Debt for Institutions Reporting Operating Deficits[a]

	Increasing Debt	Decreasing Debt	No Trend in Debt	Stable Debt	Other	No Debt
Increasing gifts						
21 Universities	0	1	0			0
47 Colleges	0	1	0			0
125 Colleges	5	12	0	1	1	0
Decreasing gifts						
21 Universities	1	0	0			
47 Colleges	0	0	1			0
125 Colleges	1	2	3		0	0
No trend in gifts						
21 Universities	1	0	0			
47 Colleges	0	2	1			
125 Colleges	0	9	1	1		
Total deficits (44)	8	27	6	2	1	

a. The numbers in the various columns refer to the number of institutions that report deficits; thus on the third line, for instance, among the 125 colleges, of those reporting increasing debt, 5 had deficits.

The preceding illustrations show that changes in philanthropic income *alone cannot* be an indicator of the improving or worsening financial condition of colleges and universities. Philanthropy is one among many elements, and for most institutions who benefit from voluntary support it is an essential factor. For some the impact is so small that changes from year to year as well as total amounts make a very minor overall impact.

Table 36 gives an idea of the distribution of gifts as a percentage of total expenditures in 1972 for the three samples.

Table 36

Gift Income as Percent of Total Expenditures, 1972

	21 Universities	47 Colleges	125 Colleges
Less than 1%	5	0	2
1 to 4.9%	8	9	27
5 to 9.9%	3	24	42
10 to 14.9%	2	12	29
15 to 19.9%	1	1	9
More than 20%	2	1	16
	21	47	125

Note: The percentages must be seen in the perspective of the total budget. For instance, among universities a weight of 1.6 percent can represent $1,699,000 and a weight of 25 percent can refer to $959,500.

Table 37
Gift and Endowment Income as Percent of Total Expenditures: The Dependency Factor

	21 Universities		47 Colleges		125 Colleges	
	Gift	Gift & Endowment	Gift	Gift & Endowment	Gift	Gift & Endowment
1969	6.43%	11.19%	9.26%	19.29%	8.73%	12.49%
1970	6.71	11.31	8.67	18.61	8.67	12.25
1971	5.97	10.32	8.63	18.74	8.78	12.11
1972	5.44	9.66	8.15	18.49	8.84	12.24
1973	NA	NA	9.18	18.39	NA	NA

Tables 36 and 37 document again a decline in the weight of voluntary support. The difference by type of institution is striking. Policy makers concerned with the design of higher educational finance policies might wish to ponder the significance of these differences and of how alternate funding or tax schemes would affect each type of institution.

All of the preceding suggests that the analysis of institutional financial health—even in strictly financial terms—is a very complex undertaking. Besides, other than financial factors must be considered, not the least of these being the consideration of the qualitative aspects of higher education.

But even in a strictly financial sense, the study of individual college and university balance sheets documents a distinct deterioration of net asset values, particularly among some of the nation's proud and capable research universities and in many of the small private two-year and four-year colleges. The comparatively slow growth (and in some instances, the decline) of voluntary support is one of the reasons. But more important by far have been other external forces. The overall effect of private philanthropy has been to stabilize rather than to disrupt higher education finance, and there is reason for concern: Forces external to higher education are expected to continue their financially disruptive influences and some may help undermine the stability of philanthropic support itself. We now turn briefly to some of these.

III

SOME SPECULATIONS ON THE FUTURE IMPACT OF PRIVATE PHILANTHROPY IN HIGHER EDUCATION

Higher education finance and the magnitude of the philanthropic support that is an important part of it are influenced by the economic, political, and social environment in which colleges and universities and philanthropists operate. Beginning some time in the late 1960s, higher education finance has suffered a gradual deterioration in both the public and the private sectors. One interpretation of the data provided in this study is that the deterioration would have been worse had it not been for the strength and consistency displayed by private philanthropy on behalf of both public and private higher educational institutions. Will future economic and political events bring about adverse conditions, reducing the stabilizing influence of philanthropy?

General Uncertainties

The factors contributing to the financial erosion that has occured in colleges and universities are numerous, stretching from general inflation and erratic and depressed money and securities markets to declining enrollments, overbuilt campuses, new social and educational priorities, and an intensified questioning of the rules that have governed philanthropic practice to date.

It is worth noting that *public policy at the federal level has so far been the single most jarring influence* apart from what has happened to enrollments. Although one need not blame Washington for all the things that have gone wrong of late in the economy, legislative and administrative actions (and especially the latter) concerning higher education stand out as singularly disruptive during the early 1970s. It is not without good cause that the NCFPSE admonished the federal authorities that their erratic funding habits did not constitute a sound foundation for higher education finance and programming. In spite of the commission's warning, uncertainty and instability in federal funding are increasing. Nowhere is this more evident than in the area of student aid where advance planning and timely information about available resources would seem to be an obvious and primary requirement.

Another major uncertainty centers on the effect that the widespread decimation of capital asset values will have on private philanthropy. If the majority of all gifts and almost all large capital gifts are in the form of appreciated assets, even assuming that such depreciation will not reduce *the number* of philanthropic decisions *there must inevitably result from this loss in capital assets a sharp reduction in the magnitude of giving.*

Uncertainties that Pertain to the Tax Reform Movement

Many of the incentives and inducements built into tax laws that encourage private giving have come under severe criticism of late. While so-called tax-reducing incentives are not the sole, nor necessarily the most important, reason why philanthropic support of higher educational institutions has been flourishing, the fact that gifts of assets represent so large a percent of voluntary support in general should be convincing evidence that tax-reducing incentives for giving do work.

But what is a tax-reducing incentive to the donor and the recipient may be a tax loophole to others. Tax reform discussions among legislators and others have been characterized by two predominant thrusts: (1) the ever-present challenge of finding new revenues to be taxed and (2) the attempt to subject all manner of income – whatever its source – to more uniform, consistent, or equitable taxation. Whatever the basic motivation, a major focus of recent tax reform activity has been the attack against a variety of tax-reducing incentives. Those who believe in such incentives, within higher education, private philanthropy, and elsewhere, have thus been given a challenge to defend their belief that tax-reducing incentives can be a part of an equitable and dynamic system of income taxation.

One of the interesting ideas advanced by some economists and would-be tax reformers is that philanthropic expenditures should not be given preferential treatment under the income tax laws because such expenditures are not different from other consumer outlays. Since consumer spending is an individual act for an individual benefit and since consumer choice is not properly to be influenced by discriminatory tax-reducing incentives, philanthropy as a consumer activity should not be so influenced either. The preceding is not a complete statement of the position, but it is adequate as a background to the following comments.

First, it is of course not true that consumer choice and spending have not been influenced by tax-reducing incentives. The tax law has been a powerful tool in the shaping of consumer choices, particularly the decisions that distinguish between current consumption expenditures and savings. And then there are a host of subsidized prices which can hardly be ignored when the words tax loophole enter the political debate. Economists, furthermore, have made a clear distinction between consumption expenditures proper and those that fall into the realm of capital investment. Even our official National Income accounting system recognizes that a consumer's decision to purchase a house is an investment and contrasts it with a decision to purchase a haircut, which is viewed as consumption proper. Although tax reformers challenge the distinction, interest expenses on home mortgages (and on other debt) are tax deductible.

Second, philanthropic spending by non-corporate persons falls into two separate sets of consumer decisions. It can be argued that some philanthropic giving is directly out of income, in the form of cash or a check, and in this sense is similar to a normal consumer expenditure. But there is another type of decision: it involves the transfer not of income but of assets. *In folklore, in parlance, in purpose, the large donor who transfers assets through philanthropic effort makes an investment.* The term investment is not used here or by the donor to describe a rearrangement of one's savings; investment is meant to provide working or physical capital to nonprofit enterprises who often have no other access to capital than through philanthropy, be the latter public or private. The fact that experts who should know better have not made this distinction merely adds poignancy to the evolving drama.

The preceding discussion and the references provided in Appendix B support not only this important distinction, but also the following conclusion: *By far the largest percentage of all philanthropy in higher education — public and private — is through the transfer of assets and not out of current income.* In the National Income accounting sense, furthermore, roughly half of all current giving is for long-term capital formation either for plant construction and equipment purchases or for the building up of endowment assets. While the tax-reducing incentive provides the donor of such capital funds with a momentary financial return in the form of a tax saving, *it also provides society with a type of capital formation and the ensuing social benefit to which the public universities in our survey have testified quite eloquently and consistently.* The reduced tax — if any — may be a necessary social cost and probably a modest one, at that. It is worth remembering as we pointed out earlier that overall the bulk of philanthropic support in higher education — somewhere between 80 and 90 percent of it — comes from 20 to 10 percent of the donors and is in the form of a transfer of assets.

Should such transfers be encouraged? The preceding data would seem to suggest that public and private higher educational institutions have come to depend upon a strong sector of private philanthropy. It is something of a puzzlement that the encouragement should now be for less philanthropy and for increased taxation at a time when prudence alone would dictate that there be a national policy favoring multiple sources of revenue for higher education. As defense and other industries have found out to their chagrin, if you want to continue living after the government pulls out without adequate warning and preparation, you had better diversify. The cities of Seattle and Tacoma, Washington, have learned this lesson the hard way, and so have countless private corporations. During the early 1970s, the public and private research universities got a taste of how it feels to be dependent on a single major source of funding when it disappears without proper notice.

And let there be no doubt about it: the tax reform issue is a tax matter only in a very narrow sense. To the extent to which the current tax reform movement attacks the tax-reducing incentives vis-a-vis philanthropy, it is an attack against a prevailing and significant means of financing higher education. The words *tax reform* have a pleasing ring, and the expression *tax loophole* has the sort of emotional appeal on which politics thrives. The complex and difficult-to-understand ramifications of public finance and of how to finance higher education tend to be overlooked or downplayed in the political oratory. And sometimes even the experts on tax reform seem to pooh-pooh the potentially damaging effects of their proposals. We shall select a few of the aspects inherent in the tax reform issue, particularly its possible or likely effects on philanthropy in higher education.

1. We have already stated that colleges and universities report that the overwhelming percentage of all gifts comes from a relatively small number of major donors. This is the case especially for capital gifts.

Any marked reduction in the tax benefits now in force would produce fewer such gifts or less net philanthropic support after taxes for the recipients.

In public colleges and universities the effect would center on plant gifts for which taxpayers appear to have had relatively little taste or which are not normally financed through bond issues. The impact would be essentially on the capital projects that according to numerous testimonies provide the "edge of quality." There would also be some adverse effect on student-aid income.

In private institutions both plant and endowment capital formation would be in serious jeopardy. Also, large current gifts for operations and student aid would be affected adversely. Any weakening of capital formation via annuity or life-income funds and through deferred giving by means of trusts and bequests could diminish significantly the long-range financial stability this aspect of private philanthropy has brought to college and university finance. Such stability of funding, as we have already said, is not normally associated with public support. Philanthropy that stresses endowment capital formation acts as a long-range source of financing and removes income from some of the uncertainties and fickleness associated with political decision making and individual donors.

The smallest adverse effects would probably occur in the area of the small cash donation. But this is not where colleges and universities have traditionally derived the bulk of their financial voluntary support.

2. Tax reform is supposed to benefit the taxpayers. If we are correct in our assumptions of significant reductions in philanthropic financial support, the taxpayers could be penalized in several ways.

First, to the extent to which public institutions should lose funds, the taxes would either have to make up the lost revenues or the quality of the public institutions could be affected adversely. Eventually one would expect public expenditures and taxes to increase in order to replace some of the philanthropy no longer available.

Second, since private institutions depend so much more on philanthropic support than do their public counterparts, the probability of more public spending and higher taxes is even greater. Of course, it can be argued that any significant weakening of private higher educational institutions is not a matter that ought to concern the public. If private colleges and universities cannot attract gifts under new "tax reform" rules of the game, then they might as well disappear. Fortunately, this argument has not been endorsed by any serious group; on the contrary, during the last decade and before, every study group and commission that addressed itself to the issue has stipulated the need for a strong private higher education sector. Therefore, any significant loss of private philanthropic support would have to be replaced with public funds.

Third, if it is anticipated, as some have agreed, that the tax reform will enhance tax receipts, it should be remembered that a donation of *appreciated property not made does not necessarily produce new tax revenues.* Before a capital gain can be taxed, a gift of property and then of the gain itself must have taken place. And should such a gift that is subject to capital gains (or income) taxation be made, the probable result would be that the recipients would be penalized by receiving smaller net amounts of philanthropic income.

3. It seems that whichever way one looks at the tax reform argument, and even if one approves of the idea of a more equitably shared tax burden, one's expectations should be that even under the most favorable conditions philanthropic support would decline, public support of public and private higher education would have to increase, and taxes in general, both within the states and federally, would tend to increase.

Uncertainties Concerning Who Finances and Who Shall Receive Trusts

At issue are not merely tax reforms and the aggregate amount of tax revenue produced or foregone as a result of specific reforms. *At issue is who shall finance higher education.* This central question can be translated as follows: Who shall decide which specific institutions will receive how much money for what programs and activities? At issue also is how much of the public funds should go to higher education in contrast to the many other potential claimants. Then we find ourselves fact to face with all of public finance and with the many complex aspects of fiscal policy as well. Here we shall limit ourselves to stating a few of the issues:

1. It has been argued that the private market is a more efficient allocator of resources than philanthropists or governments. The free-market argument is compelling and is made often by economists. Under certain conditions it has considerable merit.

At present, the free-market advocates must first address themselves to the serious distortion introduced by the tuition gap into the competition between public and private institutions. This in turn raises the question of pricing. From there we go to a host of other problems that have remained controversial or unresolved in higher education. Should there be full-cost pricing? What are allowable costs and what kinds of activities do not count? Should public tuitions increase or private tuitions decrease? Should students be subsidized according to entitlements, according to financial need? If the latter, how will need be determined? Is access to higher education what matters, or should students have free choice among all types of institutions?

Another aspect of the market argument is that under conventional higher education pricing, student-related revenues do not tend to furnish support for research, plant, and equipment, nor in most instances for maintenance of plant, grounds, and equipment. The analogy with the "competitive firm" so cherished by economists in micro-economics cannot be made without assuming at the same time that higher education finance will change drastically (we almost said, will be revolutionized).

Several recent task forces have, however, addressed themselves to the question of how a more market-oriented model would work. Their recommendations differ (Carnegie Commission; Committee for Economic Development; National Commission on the Financing of Postsecondary Education; National Commission of Independent Colleges and Universities). There is, indeed, merit in a modified market approach provided the advocates take cognizance of political realities, the peculiarities of higher education finance, and the limitations that are inherent in the market approach proper.

2. It has been said that higher education is too important to be a matter of private donor decision making; it is a public concern. Here several philosophies overlap. There are those who worry lest individual donors, particularly rich business men, impose a particular point of view on an institution or that hobbies rather than real educational needs are financed. There also is the concern that private restrictions pervert the public purpose, reduce academic freedom, or otherwise exert unwanted control over institutions.

While these may be legitimate worries in view of evidence here and there, *philanthropy in higher education* does not seem to merit quite as much distrust as these arguments sometimes embody. Historically, there is reason for remaining alert, to be sure. But when it comes to restrictions that involve academic freedom and institutional autonomy, *the public sector offers more convincing and more frequent examples.*

Among the interesting facts surely is the tradition of private liberal education and the numerous church-related colleges that could not have flourished as they did without a system of private philanthropic financial inputs. The whole history of private higher education testifies to the fact that private donors, private citizens on governing boards, and independent administrators and faculties have, quite without coordinated public guidance, created and sustained a system of higher education that has no counterparts anywhere else in the world.

Traditionally, the public policy has been that private individuals as well as public bodies should make higher educational policy. *Is it reasonable to expect that bureaucrats alone will make better or wiser decisions?*

3. Related to the preceding issue is the recently fashionable, though not yet generally held notion, that public spending represents the public interest. That it should represent it is of course imperative. But the evidence has been piling up of late that public policy is for special interests more often than it should be.

4. Furthermore, in discussions on the difference between private and public spending the impression is sometimes created that there is little or no social benefit in private spending, and that social benefits require the expenditure of public monies through public agencies.

Such a view is perhaps nothing worse than a fallacy of composition. On the other hand, it may be a fundamental fallacy. If the pursuit of enlightened self-interest induces private individuals and corporations to become philanthropists, there certainly is social content and benefit in their individual acts. Private gifts have sometimes innovated, and sometimes they have followed where public leadership pointed the way. Today, many federal programs of support require private matching monies, a fact which testifies to the need for a public-private partnership in funding. As for the fear that private monies might be squandered on frivolous projects dear to the heart of a donor who is insensitive to the national and public higher education policies, it might be wise to think of all the instances where the taxpayers' monies are being wasted by public officials. Of special concern should be the large percentage of tax monies that tends to be eaten up in administrative procedures and that *never* serves the educational purpose proper.

5. It is also said that philanthropic monies are essentially public funds (under prevailing tax laws); therefore there must be accountability to the public for how effectively they are used. Accountability has become one of the major issues in higher education, and there is a growing demand for more acountability on the part of private nonprofit institutions.

Few in higher education would dispute the need and appropriateness of accountability. But behind the accountability argument lurks the question of who will control whom. Furthermore, the question of accountability raises a host of managerial issues, including matters such as the quality of management, institutional governance, and who shall determine institutional objectives, as well as what they will be.

A Question of Political Philosophy and of Incentives

Private philanthropy embodies values that are deeply anchored in the tradition of free, private enterprise and individualism. With the pursuit of enlightened self-interest (among other things) went the knowledge that one's personal property, lawfully and rightfully acquired, could be disposed of at one's free will. Your income and your property, while serving some higher purpose (noblesse oblige), was yours and not the state's. Alexis de Tocqueville made a special point of noting for his European readers that Americans had a foible for "charity" or "philanthropy" as a means to organize activities for other than profit-seeking purposes. With diversity and magnitude, American philanthropy is nonpareil.

The peril comes in part from an alleged shift in values, particularly the shift away from a belief in individualist action to faith in collective action. Whether such a shift in values has taken place or whether we are told that things have changed is difficult to decide. But in the debate concerning tax reform and philanthropy, donors and recipients of traditional support are on the defensive, and what sounds suspiciously like a collectivist point of view is mounting the attack. If only the issue were one of tax fairness or equity. But tax issues are seldom one dimensional and they are always complex.

For instance, today it is easy to make considerable political mileage by opposing tax loopholes. Some of the alleged loopholes are deliberately devised incentives for the purpose of encouraging certain types of spending. From time to time, the incentive may not be required, and then sometime later it may again become more urgent. Tax credits to encourage business investments during recessions or fast write-offs in selected industries during wartime or after wars are classic illustrations.

Private philanthropy in higher education is and has been a force that had to be encouraged, and this has been the public policy. The incentive to give remains and the need to give is greater than ever, from the United Funds drive, to cancer and heart research, to higher education. *It is inconceivable that the public would agree to tax itself sufficiently in order to absorb into public spending all that is now supported with voluntary tax-protected contributions.*

If the public is unwilling to be taxed, does it follow that the need for a service has disappeared? It has been argued that modern economics does not recognize "need" as a legitimate imperative; that "demand" as expressed by monies spent is the only tangible evidence of "need." It would be more correct to say that in *measuring* "need," economists are limited by what consumers and taxpayers are in fact purchasing. Thus, effective "demand" tells us what people are valuing. At the same time, there exist needs for which no monies are being expended (to wit, the high rate of starvation in India and Africa). And such unmet needs are not always frivolous personal preferences.

A good example is the recent Doylestown, Ohio, experience after repeated school tax levy defeats. The taxpayer said no, the donors got together and reopened the *public* schools. The government did nothing; under the law it could do nothing. But private individual citizens responded; and the tax law helped them to respond.

The Doylestown, Ohio, illustration may serve to highlight an interesting aspect of nonprofit enterprise finance: when alternate sources of funding exist and are being encouraged, an unmet need may be financed even if public monies are not available. And the following may be a general principle: many of the financial problems in higher education are not chiefly problems of redundant and inefficient educational activities and processes but problems of inadequate financial support. Sooner or later, even in education, you get what you pay for; and if you pay nothing, you get nothing, whether the need is still there or not.

Tax-reducing incentives can provide powerful public finance alternatives. They recognize that individuals who are able to pay may be more willing to support a specific activity if there is a monetary return. The monetary return to a philanthropist may not always be the primary interest, but it may help in the making of the commitment. The tax-reducing incentive does not really create a tax shelter when it results in philanthropic support of higher education; it channels funds into higher education directly, instead of diverting them first into the public purse from which only a part would flow back into higher education. *It can even be argued that tax-reducing incentives may frequently be a more efficient, a more economical form of public finance than taxation.*

It would seem to be proper policy to eliminate tax-reducing incentives for types of expenditures that are no longer needed. For instance, if society is providing enough funds for student aid there is no need to encourage private voluntary support for student aid. But when the public sector is as limited in its student-aid funds as it has been, maybe a good enough case can be made for a system of tax-reducing incentives designed specifically to mobilize student-aid gifts, or any other desirable gift, or gifts to bona fide organizations in general.

At what point is philanthropy no longer needed to carry out the nation's multi-faceted educational missions and when would it be appropriate to fashion national policies that discourage philanthropic investments? Maybe sometime in the future, when public finance can cover all the bases. In the meantime, the analysis of private philanthropy's impact on higher education suggests that present educational activities depend upon current and growing voluntary support. The need is for more, not for less, philanthropy.

A sudden or gradual decline of such voluntary support would produce significant changes in the structure of the higher educational industry as well as in the quality of education proper. Of special concern is what would happen to private institutions and among them private four- and two-year institutions. To talk of the possible disappearance of private liberal arts colleges is not to indulge in idle speculation: the move is already on. The question is, how far will the erosion go? How far should it go? As recent studies show ever more clearly, the peril is real and now. So far it is not the lack of giving that has caused the disappearance of institutions. But higher education finances are worsening. If gifts do not keep pace with educational needs, financial distress will become widespread.

So maybe the arguments for tax reform and alternate higher education finance schemes might address themselves, among other things, to the question of whether a healthy and diverse private higher education sector ought to remain a viable segment of the total higher education enterprise. Given the role played by philanthropy in private higher education, tampering with philanthropy means altering private higher education finance. The two issues cannot be separated.

Appendix A

Listing of Carnegie Commission Classification of Institutions

1. Doctoral - Granting Institutions
    - 1.1 Research Universities I.
    - 1.2 Research Universities II.
    - 1.3 Doctoral - Granting Universities I.
    - 1.4 Doctoral - Granting Universities II.

2. Comprehensive Universities and Colleges
    - 2.1 Comprehensive Universities and Colleges I.*
    - 2.2 Comprehensive Universities and Colleges II.**

3. Liberal Arts Colleges
    - 3.1 Liberal Arts Colleges I. Very Selective.
    - 3.2 Liberal Arts Colleges II. Less Selective.

4. Two - Year Colleges and Institutes

5. Professional Schools and Other Specialized Institutions
    - 5.1 Theological Seminaries, bible colleges, and other institutions offering degrees in religion

*Had at least 2,000 enrollment in 1970 and offer a liberal arts program as well as several other programs and at least two professional or occupational programs.

**Had at least 1,500 (private) or 1,000 (public) enrollment in 1970 and offer a liberal arts program and at least one professional or occupational program.

5.2 Medical schools and medical centers
5.3 Other separate health professional schools
5.4 Schools of engineering and technology
5.5 Schools of business and management
5.6 Schools of art, music, and design
5.7 Schools of law
5.8 Teachers colleges
5.9 Other specialized institutions

Appendix B

Summary Of Materials Received From Responding Institutions

In an effort to secure specific examples of the importance of voluntary support to institutions of higher education, we wrote to the chief financial officers of 63 colleges and universities, both public and private. The following questions were asked:

—Are there examples of private capital donations that have made a major program impact which enables your institution to draw students because of its unique or outstanding facility or department?

—Can you cite a particular endowment or private gift of a building or private support of a program that has added quality to your institution?

—How has recent legislation concerning philanthropy affected giving to your institution?

Responses are tabulated below in a general, compact summary. Following the table are quotations from the correspondence. (The names of the institutions responding have been deleted.)

Table B-1

Summary of Responses to Questions Asked Concerning the Importance of Voluntary Support to College and University Finance and Institutional Quality

	Number of Institutions Responding to Topic Area	
Topic Area	Public	Private
Voluntary support provides capital for new buildings which could not otherwise be financed	10	13
Program quality can be sustained and enhanced through philanthropy	6	12
Philanthropy provides funds to endow professorial chairs adding quality to faculty	5	7
Philanthropy provides the "edge of quality"	4	9
Reduced voluntary support noted as result of 1969 tax legislation	1	6
Positive effect of 1969 tax legislation on total voluntary support received	2	1
No effect noted of 1969 tax legislation on total voluntary support received	2	

Voluntary support to *public* institutions is not essential for operations but rather supplements tax dollars to provide a higher quality of educational programs and facilities.

> Gift income at the University, not unlike most public institutions, is not absolutely necessary for us to operate or fund physical facilities. We have, however, come to count on the approximate 7 million annually to maintain a higher quality of education demanded by our students and constituents.

◆

> We in the profession, have for many years told each other that the main incentive in private support is the drawing power of our institutions and not tax relief. Realistically, though, with tax incentives removed, our annual funds and capital support programs could dry up.

◆

> Private support for the current operations of the University. . . amounts to approximately four percent of the total operating budget, but it is so much more important than the percentage would indicate. None of the private support is used or solicited at the University. . . to replace tax dollars. Instead, private support is used and attracted to supplement the tax dollar in an effort to enrich the academic and cultural programs of the University.

◆

> As is traditional to many public institutions, our University solicits philanthropy to provide educational services which may not ordinarily be available through state dollars.

◆

> The private giving we receive enriches those programs that are the beneficiaries of such private giving.

◆

> Gift income is a vital and integral part of the daily and future operation of the University. . . . The Office of Development manages some five hundred accounts including those devoted to professorships, student scholarships, building construction, etc.

◆

> Private philanthropy is a vital force affecting the quality of daily as well as future development at the University. . . .

◆

> Private support has been indispensable to maintaining the quality of this law school. . . . However we calculate it, I am satisfied that it is the amount we receive from private individuals and foundations that makes the difference between this law school and the ordinary state institution.

Some public institutions are totally dependent on private support for capital funds while others are funded only in part by private monies, but all rely on private funding to some extent as evidenced by the following:

> . . . the . . . Memorial Art Gallery, a $3 million structure [was] built in 1963 as the result of a bequest from a brother and sister. The structure would not have been built with tax dollars. It is a magnificent work of art in its own right, [and] has caused a veritable art explosion on the University's. . . campus, . . . We feel that the . . . Memorial Art Gallery and its programs are unique among the colleges and universities in the country.

◆

> Our most ambitious project to date is the construction of a large wing of the Law School building at a cost of approximately 2.5 million dollars, to be financed entirely from private sources.

◆

> Private giving here has been very helpful for capital purposes. The first building of the College of Medicine was made possible by private giving in excess of $3.0 million. . . . We are about to break ground on a new planetarium that has been made possible from private funds. It is felt that this new facility will bring substantial recognition to the University.

◆

> We can most certainly cite examples of buildings or programs funded by private support. Our new planetarium, presently under construction, is the result of a bequest of nearly 2 million dollars from Wallace Fiske of Santa Fe, New Mexico. Our Health Center was built from gifts totaling one million dollars from Frederick Wardenburg. A bequest of over 1¼ million dollars is providing support to civil engineering and athletics.

> All our buildings were the gift of a single benefactor. Built in an English Gothic style that could not be duplicated today, they cost nearly $9,000,000 in the midst of the depression, and now are valued at more than $50,000,000.

◆

> We have under construction a 7½ million dollar Heart Research Hospital, the funds for which have been raised by the Variety Club of the Northwest. We are, this month, dedicating an arboretum which has a new building that costs approximately 1½ million dollars financed entirely out of private income. The purchase price of 600 acres of land adds another million dollars. We have a new Fresh Water Biological Institute which represents another private fund raising effort totalling roughly 4 million dollars.
>
> These are a few examples of how essential private giving has become in the on-going life of this public institution.

An example of public and private funds working together to improve the overall quality of the institution:

> An Alumni Center of three-fourths of a million dollars is also about to be realized from gifts. Prior to this time, the University has been able to add such facilities as an 18 hole golf course, a chapel, as well as other buildings to its total program of services. All of these capital items help enhance the total climate of the respective campus which constitutes the University of____. Probably the most impressive single contribution is the one pertaining to the Performing Arts Center. A single gift of $5M was tendered by a donor. Approximately $6M was requested of the General Assembly and an additional $5M is to be solicited from other private sources. Through this cooperative venture the state will realize a magnificent facility and will benefit from the partnership of private philanthropy and state tax support.

Private institutions report that philanthropic support for current operations is of great importance:

> Without gifts to the current operating budget, we would be $200,000 per year in the red, would have to increase tuition more rapidly than we would like, considering the probable adverse effects upon enrollment.

◆

> The program at____College is completely dependent on gift support. Over 50% of our annual budget income is current gift income or endowment fund income.

Private institutions are also quite dependent on philanthropy to provide capital funds as well as support of current operations:

> ____University depends on gift income in current operations to the extent of approximately 20% of its current budget. We are dependent on gift income for practically 100% of our capital funds budget except for relatively inexpensive instructional equipment.

◆

> Our income from tuition provides approximately two-thirds of our annual operating income funds: the remainder coming from endowment, gifts and grants. Also, all of____'s capital efforts require private funding. Gift income has been essential, especially to our capital programs and our scholarship needs. Increased gift money for support of our academic programs through our annual operating budget will be increasingly essential in the years ahead.

Philanthropy enables private institutions to maintain or enhance the quality of their educational programs and facilities as well as providing a stabilizing element in their finances:

> Philanthropic support has certainly played a key role in the financial stability of____College and must continue to do so if we are to maintain our fiscal strength in the future.

We depend entirely upon gifts for capital projects. [Over the past two fiscal years,] 83% of additions to endowment funds have come from appreciation.

●

Outside support is particularly significant for private institutions such as____to maintain their quality in face of the immense difficulties continuing inflation poses. Sources of support, such as state and federal support, do not provide the stable revenue that endowment and general philanthropy do.

____has received several private capital donations which have made a major program impact, including a $250,000 foundation grant designed to enhance the education of ____'s engineering students in the social sciences.

Private support has also enabled_____to significantly broaden its offerings in the fine arts area.

Funds from private sources have fully endowed 25 named professorships providing a welcome financial benefit to the University and at the same time strengthening an already superior faculty.

This kind of philanthropic support enables_____to maintain its high quality of excellence and at the same time maintain a stable financial position, an enviable position in an era in which private education generally is experiencing financial difficulties.

●

There is no aspect of our program, whether it be financial assistance for students or research support for faculty, which has not benefited from private philanthropy. Without it, higher education at private universities would be of much lower quality.

●

____University has profited to an almost impossible degree because of a vigorous program of private philanthropy to this institution. One foundation, for example, has given us over $5,000,000, making possible a science building that is unsurpassed on the undergraduate level in America and a classroom-administration building that meets the fondest dreams of those related to the academic community.

●

A $1 million matching gift for a building enabled the University to launch a new Graduate School of Administration this year; two pledges of $600,000 each for professorships will help substantially to endow the new school's program. This school will be the only one of its kind in the Northwest and is unique nationally in several ways.

●

Among many new physical facilities made possible by the gifts of the last two years has come a $8.5 million Chemistry Department building - new facilities for an already stellar department. The facilities came because of an already outstanding department and the department became even stronger because of the superior physical plant being developed. In short, a great step has been taken in the quality of_____University because of private giving.

Of utmost importance is the fact that the bulk of giving has come to______through appreciated securities - in spite of peculiar equities market behavior. Had not all the current tax advantages obtained, we are absolutely certain that_____'s situation would have been quite different and the volume of giving much reduced.

The most thrilling story of giving to_____is found in the copy of the article attached - some $2.3 million left by bequest to______resulting in endowment for three professorial chairs! All of the total bequest was made up of a variety of appreciated properties. Had there been a capital gains tax on the estate possible, we are certain the donor in life would have had quite different thoughts on how his carefully garnered estate would be used.

In the two cases above, many of the proposed so-called "tax reforms" frequently suggested would have changed the situation drastically. This we know because of intimate knowledge of the donors in all cases.

____University which continues to operate balanced budgets, is thoroughly convinced that any legislation interfering with the current flow of philanthropic patterns could very well deal a death blow not only to this university but to the whole fabric of American society.

> Indeed, the administration and trustees of _____ can become quite heated over the matter of tax legislation and the threat to existing philanthropic patterns. This university has grown in strength and maintained its stability in trying times because of the generosity of donors who are very sensitive to the tax structure.

A few private institutions have noted a reduction in voluntary support as a result of the 1969 tax legislation:

> More than one individual of wealth has indicated a change of plans because of new, limiting legislation. Under the 1969 Tax Act, there has in my judgment been significantly reduced philanthropic giving.

◆

> The tax law revision of 1969, disallowing individuals, companies or corporations from donating equipment to charitable institutions and claiming full market price deductions on income tax returns has significantly reduced the number and variety of such gifts received by us. The efforts of the IRS, constantly chipping away at gift possibilities as they interpret regulations, makes it increasingly difficult for the large donor—particularly one who wished to give appreciated property.

◆

> An average of the [last] four years would indicate that in excess of 50% of our gifts are given in the form of securities. Therefore, if Congress were to eliminate the tax exemption on appreciation it would appear that the College would suffer significantly.

◆

> The legislative restrictions on the Effectiveness of Annuity Gifts a few years ago discouraged some people in this type of giving. It is my hope and expectation that there will be no further restrictions on Annuity Gifts. One Senator of the United States indicated that every time we educate a young person we actually save the state and federal governments approximately $2,000 per year, thus it is my eager and fervent hope that no further restrictions will be placed on gifts to eleemosynary institutions.

All letters (except one), though perhaps not directly stated, inferred that *private philanthropy is essential to the finances of higher education.* Their comments are significant:

> the charitable deductions allowed under current tax laws are absolutely essential to private higher education.

◆

> I am hopeful that the leaders of government will take into account the key role played on the part of private philanthropy for private institutions. This diversity of higher educational opportunity is extremely essential, and I believe that this institution demonstrates what can be accomplished when it is developed to the level of effectiveness.

◆

> Surely, tax "reform" and clarification are needed in many areas. However, any inhibitions placed upon private philanthropy could be totally destructive of independent higher education.

◆

> I feel comfortable saying that if the tax structure is changed along the lines proposed, it would cost us from 4 to 5 million dollars a year. (public institution)

◆

> Perhaps the enclosed materials will underscore further why private financial assistance is important and the need for legislation (laws) which will be favorable to the causes of public and private institutions and which will encourage philanthropy, not impede or destroy it.

> During the past decade the campus units within the University. . . have received nearly $12,000,000 from private sources. Unless laws thwart philanthropists' enthusiasm and reduce the tax-deductible features, the next decade will see this figure doubled. Surely, discerning public officials will realize the tax dollars could not possibly bring such additional funds on a proportionate basis to all eligible public and private universities and other agencies across the land. (public institution)

◆

Of course, none of these programs and additions would have been accomplished unless encouragement had been given to individuals, companies, and organizations through tax incentives. All of our donors have an interest in the University and its mission but the large gifts, most of which came in the form of appreciated securities and estates, would not have been consummated if a tax advantage were not available. The tax laws as they now stand give our citizens the freedom of deciding how and where their personal wealth will be used for the good of our society. This would not be true if their assets were diverted entirely into the tax channel.

Without question, any changes by Congress which would discourage favorable tax treatment as a result of philanthropic support would prove to be immeasurable harm to the future of the nation's colleges and universities, both public and private.

The preceding section of Appendix B gives a sampling of how various administrators view the importance of gifts and endowment to higher education finance. The impact of philanthropy is sizeable, both in terms of dollar amounts and as a percentage of educational and capital expenditures. The growing dependence of both public and private institutions on the continuation of voluntary support is clear. Tuition does not even support half of many educational budgets, and sources outside of philanthropy are not adequate to make up the difference. Financial officers voice a common concern about the effect any changes in the existing tax legislation would have on gifts--particularly gifts of appreciated assets which represent such a large percentage of total giving to nonprofit organizations. So great was Robert L. Kaiser's concern, that he wrote: " I have been anxious to prepare a presentation that would explain as comprehensively and effectively as possible Dartmouth's great and growing dependence on private philanthropy and on the tax incentives which encourage it."

To conclude this section, the response of Dartmouth, a private liberal arts college, is reproduced in full, followed by exerpts from Stanford, a large private university. It should be noted that when the higher education deflator (from Table 26 in the body of this report) is applied to Dartmouth's figures, we find that though voluntary support nearly tripled during the last 10 years, the weight of gifts in constant dollars did not quite double, highlighting once again the effects of inflation.

Dartmouth College (Hanover, New Hampshire): A Case Study

The Importance Of Private Philanthropy To Dartmouth College

(An Analysis as of August, 1974)

General

Dartmouth College, now in its 205th year, has come to be recognized, especially in the last 50 years, as one of the Nation's pre-eminent institutions of undergraduate higher education. In keeping with its liberal arts tradition, the general purpose of its educational program has been stated as the "training of leaders". Judged by the large number of its alumni who have gone on to distinguished careers of leadership in every aspect of national and world affairs - government, education, business and industry, the professions, social services, etc. - Dartmouth has achieved and continues to achieve this broad purpose to a remarkable degree.

By 1975-76, the Dartmouth undergraduate body will have completed a gradual four-year expansion from 3,200 students to 4,000. For some years the Dartmouth student body has been both highly selective, in terms of academic potential, and at the same time remarkably diverse, in terms of social, economic, racial and geographic backgrounds.

In addition to the undergraduate College, Dartmouth also includes three relatively small but highly respected professional graduate schools: the Dartmouth Medical School, founded in 1797 as the nation's fourth oldest medical school in continuous operation; the Thayer School of Engineering, founded in 1871; and the Amos Tuck School of Business Administration, founded in 1900 as the first graduate school of business administration in the country. Dartmouth also offers small, high-quality Ph.D. programs in a number of the arts and sciences departments, mainly in the sciences. The number of fulltime graduate students is currently about 600.

Thus, although the name is Dartmouth *College*, the institution is really a small university. One of Dartmouth's unique strengths is the fact that it has the facilities, faculty and diversity of educational program equivalent to most of our largest universities, yet holds to a size of student body, geographical locale and primary dedication to undergraduate education that enable it to retain the character and personality of a small college.

Dartmouth College Financing

Like most other private colleges and universities in the United States, Dartmouth through most of its history has had to depend exclusively on student tuition and fees and private philanthropy. The College did not receive any significant Federal Government money until fiscal 1960 when $1.8-million was received. Federal funds gradually increased thereafter to a high of $8.7-million in fiscal 1973. However, most Federal funds are earmarked for sponsored research and/or the Dartmouth Medical School. Only a small amount each year (mostly for scholarships) can be counted as income against the basic educational budget of the institution.

Furthermore, it now appears likely that for both sponsored research and the Medical School, Dartmouth will be receiving less rather than more Federal funds in the future. In fact, the College Trustees have been compelled to mount a special capital campaign to raise some $25-million to $30-million in new endowment from private sources for the Medical School in order to replace the Federal support which has been withdrawn.

Therefore, short of a drastic and permanent change in the attitude of the Federal Government toward support of private higher education (which seems unlikely), it is clear that Dartmouth, like all private educational institutions, must continue to rely almost entirely on its traditional sources of support - tuition and philanthropy.

Mainly because of inflation, Dartmouth, again like most other colleges and universities, has had to increase its annual tuition rate over the past decade or more by relatively large and painful amounts almost every year. In 1959-60, annual tuition was $1,400; in 1969-70, it was $2,350; and in 1974-75, it will be up to $3,570. Other major student costs - room and board - have also increased steadily, so that in 1974-75 it is estimated that total annual expenses for a typical Dartmouth student will be $5,700.

At Dartmouth, and throughout the academic world generally, it is strongly felt that further increases from this distressingly high level of student costs will drastically affect the number of applicants as well as the character and quality of the student body. Furthermore, such increases will have to be offset to a major extent by higher financial aid awards. Although students at Dartmouth must take much of the increased financial aid in the form of loans, a growing number of the young people are unwilling to saddle themselves with ever larger debt burdens.

Despite rapid and substantial tuition increases, especially over the last 5 years, income from tuition and fees has provided less than 50% of the basic educational budget of the College since fiscal 1962. In fact, tuition and fees as a percentage of the budget has decreased from 53% in fiscal 1960 to under 40% in each of the last five fiscal years.

Since Federal Government funds seem to be declining and provide little support of the basic educational budget in any case, and since tuition is already at a level where further substantive increases will provide little net income gain to the institution and will foster serious problems in the character and quality of the student body, it is clear that Dartmouth must increasingly rely on its one other major source of support - private philanthropy.

The following summaries and exhibits indicate the extent to which Dartmout is dependent for its very existence, to say nothing of its pre-eminent institutional quality, on private gifts, grants and bequests. Since income and expenditure figures for fiscal 1974 (ending June 30,1974) are not yet available, Exhibit 2 is carried through 1972-73. The other exhibits are carried through 1973-74. "Basic Educational Budget" is defined as the actual expenditure budget, minus expenditures for sponsored research and auxiliary activities, neither of which are part of the basic educational program of the College and both of which are approximately offset by specific income under those same headings (sponsored research and auxiliary activities).

Exhibit 1 - Breakdown of Private Philanthropic Support to Dartmouth College from 1959-60 through 1973-74.

Exhibit 1 shows the breakdown of the sources of private support, the total of that support and the basic educational budget for each year. The budget figures are included to provide perspective as to the major importance of total private support. It should be emphasized that only a portion of annual gift receipts can be applied directly to the budget. The remaining portion is designated, usually by the donors, for endowment or plant. The breakdown varies from year to year, but in recent years approximately one-third of total private support has been for current use and immediately applicable to the operating budget.

The substantial "bulge" in outright gifts from individuals in fiscal years 1968 through 1971 is accounted for by the major Third Century Fund capital campaign conducted in those years, which raised a total of $53-million in gifts and pledges in addition to the regular fund raising programs of the College (the Alumni Fund and the Bequest and Estate Planning Program). The TCF is also a major reason for increased corporate and foundation gifts and grants from fiscal 1968 to the present, as a number of corporate and foundation donors have continued to pay off substantial campaign pledges.

Exhibit 2 - Dartmouth Sources of Income to Fund Basic Educational Budget: 1959-60 through 1972-73.

Exhibit 2 shows the annual breakdown of the major categories of income in support of the Dartmouth basic educational budget. Columns to the left of the budget column show the non-philanthropic income sources - tuition and miscellaneous. Miscellaneous income includes such items as medical and health fees, athletic and other admission revenue, revenue from the Computer Center, a relatively small amout of Government money (mainly for "overhead" on research grants and student financial aid).

Columns to the right of the budget column show the philanthropic income sources - both direct and indirect. Sources of direct support are the annual Alumni Fund and other current use gifts or grants which are utilized immediately as current income. The main source of indirect support is represented by endowment income. Since all endowment principal has been accumulated from gifts, grants and bequests from private sources, endowment income is entirely attributable to private philanthropy.

Also attributable to private sources are endowment principal utilized for the current operating budget, and funds to make up deficits in those years where deficits occurred. Endowment principal transferred to the operating budget actually represents "quasi-endowment" - funds received in earlier years from unrestricted gifts, grants and bequests which the College Trustess temporarily established as funds functioning as endowment but which are available for current operating purposes if needed.

Likewise, annual operating deficits have been funded from income stabilization reserves and/or the expendible portion of the Third Century Fund capital campaign conducted from 1967 through fiscal 1971. Both of these sources are entirely attributable to private gifts, grants and bequests and are therefore part of the private philanthropic support of the Dartmouth budget in those years when deficits occurred.

In recent years, the Alumni Fund has been made up about 85% from annual gifts from individuals (alumni, parents and widows), about 5% from matching gifts by corporations, and about 10% from income from certain class and individual endowment funds, the annual income of which is specifically designated for the Alumni Fund. For more than 50 years the Alumni Fund has consistently provided a critical 10%-12% of Dartmouth's annual operating income.

"Other Current Use Gifts" come from individuals (mainly alumni), corporations and foundations, and the proportion from each of these sources varies widely from year to year.

"Income from Endowment" has been providing a remarkably consistent average of about 20% of Dartmouth's operating income over the past 15 years, thus reflecting the important growth in gifts, grants and bequests for endowment during that period, as well as resourceful investment management.

The most dramatic revelation of Exhibit 2 are the two uneven but steady and opposite trends indicated in the first and last columns. Tuition income has gradually declined as a percentage of total income from about 50% at the beginning of the period to less than 40% over the last five years - despite the substantial increases in tuition rate during almost all of those years. Conversely, total income attributable to philanthropic sources has steadily increased from less than 30% of total income at the beginning of the period to over 40% at the end.

These trends provide the clearest kind of evidence of Dartmouth's steadily growing dependence on income from private philanthropic sources.

Exhibit 3 - Analysis of Gift Support by Living Individuals to Dartmouth College by Size of Gift and Type of Gift Property (Cash or Non-Cash) for 3-Year Period: Fiscal 1972-74.

The purpose of Exhibit 3 is to emphasize the critical importance of gifts from living individuals to Dartmouth and the fact that a highly disproportionate amount of this support comes in the form of a relatively small number of large gifts (over $1,000) and especially in the form of appreciated securities or other property rather than cash.

During the three-year period, over 97% of the individual gifts to Dartmouth (82,990) were under $1,000 and totaled only 27% ($6.55-million) of the dollar value of such gifts. Less than 3% of the gifts (2,512) accounted for 73% of the dollars received ($17.72-million)!

Even more startling is the fact that only 791 large gifts of appreciated property (.9% of the number of gifts) provided $11.32-million - almost half (46.6%) of the total gift dollars received from living individuals during the three-year period. Included in these large gifts of appreciated property were 97 life income gifts (.1% of the number of gifts), accounting for $3.18-million, which was 13.1% of the total dollar value of gifts for the period and virtually all of the value of life income gifts.

The 1967-'71 Third Century Fund capital campaign provides further evidence of the importance of large gifts and gifts of appreciated securities to Dartmouth. Some $41-million was pledged to the campaign by about 8,500 individuals (mostly alumni but also Dartmouth widows, other family members, parents and friends of the College) out of a total campaign commitment of $53-million. The difference came from corporations and foundations. Of the $41-million, approximately $35-million was pledged by only 390 donors in amounts of $10,000 or more. Thus 85% of the total dollar commitment by individuals came from only 4.6% of the donors.

To date, some $36-million has been paid on the $41-million of pledges by individuals. More than 80% of these payments have been made in the form of appreciated property - appreciated securities for the most part.

These statistics eloquently substantiate the oft-stated fact that private institutions of higher education, such as Dartmouth, are especially dependent on large philanthropic gifts from the relatively few people who are able to make such commitments, and upon gifts of appreciated securities and other property in particular.

It is no secret that the Federal income tax charitable contribution deduction in general, and the historic tax treatment of long-term appreciated property gifts in particular, are primarily responsible for the ability of Dartmouth and other private educational institutions (and most public ones too) to attract benefactions in these categories from living individuals. Those in the fund raising business who work intimately with donors and prospective donors in the major giving category have not the slightest doubt that any adverse change of substance in the charitable contribution deduction or in the current tax treatment of long-term appreciated property given to charity, will drastically and immediately reduce essential philanthropic support of colleges and universities and will prove catastrophic to the entire system of higher education in this country.

Exhibit 4 - Analysis of Bequests to Dartmouth College by Size for 3-Year Period, Fiscal 1972-74.

For most private educational institutions which have been in existence for any appreciable time, bequests by will have been a major historic source for building physical plant and endowment to support the educational program. Dartmouth is certainly no exception, and Exhibit 4 indicates that bequests continue to be of major importance. In the most recent three years, $11.3-million in bequest receipts accounted for 23.4% of the total private support received by Dartmouth in that period.

Typically, bequests to educational institutions are made in relatively large amounts. The 146 bequests of over $1,000 which Dartmouth received in the past three years averaged $77,616 each. Closer analysis shows that there were 18 estates from which the College received distributions of $100,000 or more in that three-year period and that the total of these 18 bequests was $10,051,000 - an average of $558,389 each. Hence, less than 10% of the number of bequest distributions accounted for almost 90% of the dollar total.

The important point with regard to large bequests, which are so important to Dartmouth (and to all other private colleges and universities), is the fact that they frequently represent all or most of the estate of the testator - or a portion of an estate all of which is designated for qualified charities, of which Dartmouth is one.

Over the years, the unlimited Federal estate tax deduction for bequests to qualified charities has been a major incentive for individuals whose family circumstances and philanthropic inclination enable them to leave all or most of their estates to charity. Any cutting back of the unlimited deduction will substantially reduce the traditional and critical support which private education receives from these relatively few but large testamentary dispositions.

Exhibit 5 - Analysis by Size of Gifts and Grants by Corporations and Foundations to Dartmouth College for 3-Year Period, Fiscal 1972-74.

This exhibit is included simply to complete the analysis of all private gifts, grants and bequests to Dartmouth for the last three years. Like gifts from individuals, it reveals that the bulk of the dollars come from relatively few but large gifts and grants.

Examples of Significant Benefactions to Dartmouth College.

Although the statistical exhibits, as summarized in this presentation, provide clear evidence of Dartmouth's growing dependence on private philanthropy for its support, and upon the traditional tax incentives which encourage that philanthropy, pure figures tend to be cold. A few actual examples may be useful in describing how major benefactions have provided critical funds for shaping both Dartmouth's physical facilities and educational program - funds which are available from no other source.

As with most older colleges and universities, virtually all of Dartmouth's plant has been built with private funds. With the exception of recent construction at the Dartmouth Medical School and less than $1-million from the National Science Foundation for some additions to and renovations of science facilities, government funds have not been available for the Dartmouth physical plant, which now has a book value of over $60-million. Since 1960, there have been a number of major additions to the Dartmouth plant which have added dramatically to the richness of the Dartmouth educational experience and the physical character of the institution. They include:

Hopkins Center - a uniquely beautiful and functional complex of auditoriums, galleries, practice rooms and many other facilities dedicated to teaching, performance and exhibition of the arts. Opened in 1962, this mammoth and diverse facility has often been called a "Lincoln Center under one roof". In a few short years it not only has given Dartmouth a major dimension and strength in all of the fine arts, but has become a cultural center for the Upper Connecticut Valley Region of New England.

The Center is named for the late, and much beloved, Ernest Martin Hopkins, 11th President of Dartmouth for almost 30 years (1916-1945), who is rightly credited with bringing the College into the top tier of American Institutions of higher education. John D. Rockefeller, Jr. once said of President Hopkins: "If I were a young man trying to decide where I would go to college, I would find out of what college Dr. Hopkins was president and go there, so high was my regard for him." Significantly, Mr. Rockefeller's son, Nelson, was a 1930 graduate of Dartmouth and later, a Trustee.

John D. Rockefeller, Jr. was also a major benefactor to Hopkins Center, with a gift of appreciated securities of more than $1-million in June, 1950. The remaining funds for the $8.1-million facility came entirely from private sources - mainly Dartmouth alumni - in a special fund raising drive for that purpose in the late 1940s and as a component of a capital campaign in the late 1950s.

The Kiewit Computation Center - the building, dedicated in 1966, which houses Dartmouth's internationally famed computer complex. Since the early 1960's, Dartmouth has been in the forefront of using the computer for educational purposes and was a pioneer in developing the language, technology and (in conjuction with a major manufacturer) the necessary hardware for time-sharing - perhaps the most significant breakthrough in computer utilization since these instruments were first developed. The Dartmouth time-sharing system, which still is a model in multiple use of the computer, was the first recipient of the "Pioneer Day" award at the National Computer Conference and Exposition in May 1974.

More than 90% of all Dartmouth undergraduates learn to use the computer as a regular tool for all conceivable academic purposes, and the Kiewit installation is an essential tool for broad-ranging faculty research and projects. With the extensive time-sharing capability, the Kiewit Center also serves a large number of colleges and universities, preparatory schools and high schools throughout New England and Eastern Canada.

The Kiewit Center, costing just under $1-million for the building, was made possible by the benefaction of $500,000 from Peter Kiewit, Dartmouth 1922, and his wife Evelyn, supplemented by $193,000 from the Dartmouth Alumni Fund, $155,000 from the National Science Foundation, and the balance from other private benefactions.

The original computer equipment at Kiewit was a gift of a major computer manufacturer in the value of almost $1.4-million.

The Murdough Center - a handsome, multi-functional complex joining the Tuck School of Business Administration and the Thayer School of Engineering, both physically and conceptually. The Center houses a major library, auditorium, large and small classrooms, faculty offices, student study rooms and lounges and a large computer terminal complex - all of which are for the combined use of both graduate schools. A structural and academic link between the two graduate schools, the Murdough Center, dedicated in June 1973, also serves as the primary facility for Dartmouth's programs of continuing education - the famed Alumni College and the Dartmouth Institute, which is a one-month program in the liberal arts and sciences for business executives and other professionals.

The primary financing of this $4.7-million facility came from a $1.35-million gift of Mr. and Mrs. Thomas G. Murdough, Dartmouth 1926, plus two $250,000 gifts from other Dartmouth alumni - all in the form of appreciated securities. The remainder of the funds came from individual and corporate gifts specifically designated for the Murdough Center, plus a little over $1-million from the Third Century Fund.

The Sherman Fairchild Physical Sciences Center - a major, $5.3-million complex of new building, joined with existing educational structures, which was dedicated in June 1974. Long renowned for its academic strength in the sciences, Dartmouth has been hampered by fragmentation and inadequacy of facilities for teaching and research in these subjects. The Fairchild Center solves this problem by providing superb combined facilities for the departments of physics, chemistry, earth sciences and geography and the environmental studies program.

Named in memory of the late Sherman Fairchild, inventor and industrialist, the Center was made possible by a $3-million grant from the Sherman Fairchild Foundation, plus a $500,000 gift from the Kresge Foundation for the science library within the Center. The remaining funds were allocated from the Third Century Fund capital campaign.

These are but a sampling, albeit a major one, of the new and renovated facilities constructed at Dartmouth over the past 15 years. They have made possible a very significant increase in the quality of the College educational program. With the exception of the virtual rebuilding of the Dartmouth Medical School, for which significant Federal Government funds were available, these new facilities, including a major portion of the Medical School construction, were financed almost entirely by gifts, grants and bequests from private sources.

Perhaps even more significant has been the much larger number and amount of private benefactions for support of various aspects of the educational program itself - scholarship and loan funds, support of the libraries, faculty compensation and instruction, individual academic departments, the graduate professional schools, athletics, etc. Among the most significant of such benefactions have been those to establish permanent named professorships. The hallmark of greatness of an educational institution is the quality of its faculty, and professorships clearly provide a major source of the funds and prestige to attract and hold distinguished teacher-scholars.

Dartmouth has about 35 such professorships - not nearly enough in a faculty of 480, including the professional schools - but even these few are a major reason for Dartmouth's recognized faculty excellence. All of them have been created by private philanthropy, with gifts going back as far as 1838. A sampling of a few which have been recently created include:

Orvil E. Dryfoos Professorship of Public Affairs, created in 1963 by a prominent Dartmouth alumnus, Class of 1930, with a gift of $505,000 in appreciated securities. This professorship honors the memory of Orvil E. Dryfoos, Dartmouth 1934, late publisher of the *New York Times*. The chair is currently occupied by Professor Franklin Smallwood, Ph.D., distinguished teacher and active participant in urban planning and development, chairman of the Dartmouth Urban and Regional Studies Program and a state senator in Vermont. Within the past 12 years, Professor Smallwood has also conducted studies of the metropolitan areas of Toronto, Canada and London, England, publishing books on each study; directed an international study of urbanization sponsored by the UN in 1964; was an organizer and director of the Boston Urban Studies Project offered jointly by Dartmouth and MIT; was director of the Dartmouth Public Affairs Center; and was an organizing director of the Dartmouth Environmental Studies Program. Also an effective administrator, Professor Smallwood has served in the past as Chairman of the Dartmouth Government Department, as acting Dean of the Faculty of Arts and Sciences, as Associate Dean of the Faculty and Chairman of the Social Sciences Division.

The Nathan Smith Professorship of Medicine. Created by a $650,000 grant from the Vivian B. Allen Foundation in 1968, plus $100,000 in matching money from other private sources, this professorship at the Dartmouth Medical School is named in memory of the man who founded the school 177 years ago. The current occupant is Dr. S. Marsh Tenney, M.D., a member of the Medical School faculty since 1956. In addition to his teaching, Dr. Tenney is internationally known for his studies of oxygen utilization in humans and other animals, a subject in which he has been a prolific writer and speaker. Dr. Tenney has also been a prime mover in what has been called the "refounding" of the Dartmouth Medical School over the past 18 years. Named Director of Medical Sciences in 1957, he was largely responsible for the planning of the revised educational program, new physical facilities, faculty recruitment and fund raising which has led to a major expansion of the Medical School, culminating with the recent development of a highly efficient 3-year M.D. curriculum which is serving as a model for medical education around the country. Three times since 1960, Dr. Tenney has stepped in as acting Dean of the Medical School.

Henry R. Luce Third Century Professorship of Environmental Studies and Policy. Established in 1972, this chair is funded by annual grants of $45,000 from the Henry Luce Foundation. The first and current occupant is Professor Gordon J.F. MacDonald, Ph.D., who came to Dartmouth from Washington, D.C. to accept simultaneous appointments to the professorship and as director of the Environmental Studies Program, which has been cited as one of the best structured and most comprehensive interdisciplinery programs being offered by universities and colleges in this important area. Professor MacDonald is a renowned geophysicist and is also one of the nation's foremost environmental authorities. Before joining the Dartmouth faculty, he served for two years as a member of the first Council on Environmental Quality, and earlier as a four-year member of the President's Science Advisory Board. He is currently a member of the Advisory Commission on Energy, and Chairman of the Environmental Studies Board operating under the joint auspices of the Academy of Science and the National Academy of Engineering. A distinguished teacher, Professor MacDonald served in major academic assignments at MIT, UCLA and the University of California at Santa Barbara before coming to Dartmouth.

Preston Kelsey Professorhip of Religion. Named for the donor, this chair was created in 1971 by a $750,000 bequest under the will of alumnus Preston Kelsey, Class of 1925. Its first and current occupant is Professor Fred Berthold, Jr., who has been a member of the Dartmouth faculty since 1949. In 1963 Professor Berthold was one of five university teachers selected nationally to receive the first Harbison Awards for distinguished teaching, given by the Danforth Foundation. A recent statement by one of his students helps explain his teaching effectiveness: "Some people teach about life. Others live it. Fred Berthold does both." Long-time chairman of the Religion Department at Dartmouth, Professor Berthold was also the founding Dean of the unique William Jewett Tucker Foundation at the College in 1957 - the agency which makes it possible for many Dartmouth students each year to serve public service internships in both rural and urban "ghetto" areas around the country.

The Charles Henry Jones Third Century Professorship of the Management of Man. This chair has just been established by gifts of appreciated securities, totaling $1-million, from a Dartmouth alumnus, Class of 1923, and his older brother, a non-alumnus but a Dartmouth parent. The professorship is named in memory of their father. Established at the Amos Tuck School of Business Administration, the broad purpose of the professorship is to emphasize the appreciation of human factors, understanding and intercommunications which are vital in carrying out purposes of modern organizations in the field of management. A special search committee is currently identifying appropriate candidates for this distinguished new endowed chair at Dartmouth, and nominees are being sought both in academia and the world of management.

This sampling of named professorships at Dartmouth, all of which have been endowed or funded by private gifts, grants or bequests, will help explain why Dartmouth has been able to attract and hold a faculty whose high quality is nationally known and respected. In addition to faculty compensation and instruction, private philanthropy is also responsible in a major way for the endowed and current use support of literally every facet of Dartmouth College and its educational program.

Summary. The purpose of this presentation and the attached exhibits is to provide clear and incontrovertible evidence as to the large and growing extent to which Dartmouth College, as one private institution of higher education, is dependent upon philanthropic support. By direct inference it is also claimed that the successful seeking and receiving of such support is critically dependent on the historic Federal tax incentives which encourage private philanthropy for the public good.

No case is made here for the moral justification of such tax incentives from the individual donor's point of view, although a very strong case can be made in this respect. The primary purpose is to provide emphatic proof that any substantial adverse modification of these incentives - especially those which encourage large gifts, grants and bequests and those of appreciated property - will result in significant reduction of philanthropic support of Dartmouth and all institutions of private higher education. Unless an alternative source is provided for replacing such lost support adequately and with sure predictability, the unique system of private higher education which has served, and continues to serve, the public interest so well will be crippled and eventually disappear. A national resource of immeasurable value will have been lost, and the burden thrown upon the public system of higher education will be intolerable, both financially and in the sacrifice of educational quality and diversity for the future generations of the nation's youth.

For Dartmouth College
Robert L. Kaiser,
Executive Secretary, Bequest
and Estate Planning Program

September 11, 1974

Stanford's response was also quite extensive and very helpful in the pursuit of determining the impact of philanthropy, in this case, on a large private university. Their exhibits show that a large percent of Stanford's educational expenditures have been funded by philanthropy. During the 14 year period from 1959-73, gifts have represented from 40 percent to 38 percent of educational expenditures. Gifts funded from 30 percent to 25 percent of the operating budget and from 26 percent to 21 percent of total operating expenditures. Voluntary support has also provided nearly half of the capital expended for plant assets during the same period.

In an impressive 13-page attachment, Stanford described a few of the private gifts indicating their impact on the quality of programs and facilities at the university, thus enabling Stanford to move from fifteenth position to third in overall excellence of its graduate programs. One $50,000 gift by a single donor which was designated for undergraduate creative development was used to initiate the Freshman seminars in 1964. A Ford Foundation grant of $1.9 million was used to establish the Human Biology program in 1969 – the "first undergraduate program leading to a major in human biology at any American university." Another unique offering is the International Studies program which is university-wide. Many others are listed, and the author of the letter states, "I do want to stress that these are only a few examples of many gifts which have been invaluable."

Recently (since April, 1972) three major building components have been funded by philanthropy:

The Law School Building. About $11.5 million in gifts from both individuals (living and bequests) and foundations, have been provided for a new complex of buildings for the Law School.

Exhibit 1

Summary of Gifts, Grants and Bequests to Dartmouth, 1959-60 through 1973-74

Year	Alumni Fund	Bequests	Life Income Trusts	Outright Gifts from Individuals for Capital Purposes or Current Use	Corporations	Foundations	Total Private Support	Basic Educational Budget
59-60	625,760	3,166,834	79,890	3,497,982	309,197	505,417	8,185,080	8,144,345
60-61	1,015,545	858,830	787,097	2,531,902	344,692	700,696	6,238,762	9,118,375
61-62	1,215,740	1,479,436	135,975	1,308,066	408,916	932,763	5,480,896	9,799,574
62-63	1,376,126	778,812	154,354	2,121,536	462,522	2,650,244	7,543,594	10,945,985
63-64	1,624,810	660,404	119,914	1,876,150	471,920	793,346	5,546,544	12,746,202
64-65	1,780,122	1,485,105	648,052	1,882,413	1,060,093	3,984,067	10,839,852	14,508,992
65-66	1,937,790	740,344	504,324	1,956,682	558,927	1,750,818	7,448,885	15,683,881
66-67	2,101,560	2,586,541	643,448	2,152,695	578,002	778,842	8,841,088	16,228,313
67-68	2,148,548	2,881,649	869,599	6,062,432	833,321	1,943,931	14,739,480	18,525,098
68-69	2,128,306	4,412,371	713,230	5,846,439	1,133,405	1,807,804	16,041,555	21,241,159
69-70	2,038,572	2,979,005	1,807,029	6,986,767	4,672,466	3,207,170	21,691,009	23,562,121
70-71	2,464,201	2,739,286	818,516	8,954,854	1,296,513	1,607,806	17,881,176	26,240,964
71-72	2,660,193	2,877,606	777,360	4,723,132	1,028,134	3,738,236	15,804,661	29,223,985
72-73	3,245,744	4,877,387	1,059,376	2,910,110	1,047,765	3,082,857	16,223,239	31,810,540
73-74	3,836,273	3,591,572	1,587,222	3,475,314	1,063,305	2,854,174	15,407,860	Not available

Exhibit 2

Dartmouth Sources of Income to Fund Basic Educational Budget, 1959-60 through 1972-73

	Other Income Sources			Philanthropic Income Sources					
Year	Tuition (% of Budg.)	Miscellaneous Income (% of Budg.)	Basic Educational Budget	Alumni Fund Utilized (% of Budg.)	Other Current Use Gifts (% of Budg.)	Endowment Income Utilized (% of Budg.)	From Endowment Principal (% of Budg.)	Surplus or (Deficit) (% of Budg.)	Total Philanthropic Income (% of Budg.)
59-60	4,317,223(53.0)	1,448,144(17.8)	8,144,345	510,760(6.3)	13[illegible],741(1.7)	1,481,984(18.2)	266,012(3.2)	18,519(.2)	2,397,497(29.4)
60-61	4,318,012(47.3)	1,540,585(16.9)	9,118,375	1,014,035(11.1)	227,261(2.5)	1,809,337(19.8)	215,050(2.4)	5,905(.0)	3,265,633(35.8)
61-62	4,960,988(50.6)	1,503,123(15.3)	9,799,574	1,050,000(10.7)	276,795(2.8)	1,782,363(18.2)	262,223(2.7)	35,918(.3)	3,371,381(34.4)
62-63	5,105,596(46.6)	1,784,808(16.3)	10,945,985	1,169,632(10.7)	294,108(2.7)	2,288,998(20.9)	333,290(3.0)	30,447(.2)	4,086,028(37.3)
63-64	5,684,443(44.6)	2,387,300(18.7)	12,746,202	1,404,567(11.0)	564,702(4.4)	2,361,953(18.5)	379,646(3.0)	36,409(.2)	4,710,868(36.9)
64-65	6,187,853(42.7)	3,254,583(22.4)	14,508,992	1,573,001(10.8)	279,368(1.9)	2,635,274(18.2)	609,527(4.2)	30,614(.2)	5,097,170(35.1)
65-66	6,471,213(41.3)	3,676,966(23.4)	15,683,881	1,720,299(11.0)	380,576(2.4)	2,875,608(18.3)	594,319(3.8)	35,100(.2)	5,570,802(35.5)
66-67	7,004,159(43.2)	2,476,332(15.3)	16,228,313	1,850,000(11.4)	803,719(4.9)	3,586,913(22.1)	539,312(3.3)	32,122(.2)	6,779,944(41.7)
67-68	7,607,069(41.2)	3,307,356(17.8)	18,525,098	2,144,248(11.6)	749,610(4.0)	3,855,970(20.8)	799,744(4.3)	(61,101)(.3)	7,610,673(41.0)
68-69	8,315,256(39.2)	3,775,344(17.8)	21,241,159	2,153,128(10.1)	1,597,742(7.5)	4,393,363(20.7)	403,309(1.9)	(603,017)(2.8)	9,150,559(43.0)
69-70	9,046,101(38.4)	4,377,286(18.6)	23,562,121	2,117,282(9.0)	1,275,544(5.4)	4,989,647(21.2)	501,925(2.1)	(1,254,336)(5.3)	10,138,734(43.0)
70-71	9,812,960(37.4)	4,340,863(16.6)	26,240,964	2,475,623(9.4)	1,549,534(5.9)	5,782,175(22.0)	590,572(2.3)	(1,689,277)(6.4)	12,087,141(46.0)
71-72	10,962,977(37.5)	4,794,618(16.4)	29,223,985	2,656,289(9.1)	1,983,785(6.8)	6,492,093(22.2)	381,520(1.3)	(1,952,702)(6.7)	13,466,389(46.1)
72-73	12,533,526(39.4)	6,157,562(19.4)	31,810,540	3,241,604(10.2)	2,025,231(6.4)	6,438,441(20.2)	575,482(1.8)	(838,694)(2.6)	13,119,452(41.2)

Exhibit 3

Analysis of Gift Support by Living Individuals to Dartmouth College by Size of Gift and Type of Gift Property (Cash or Non-Cash) for 3-Year Period, Fiscal 1972-74

		CASH				NON-CASH				TOTAL			
		No. of Gifts	% of Grand Total	Dollar Value	% of Grand Total	No. of Gifts	% of Grand Total	Dollar Value	% of Grand Total	No. of Gifts	% of Grand Total	Dollar Value	% of Grand Total
Outright Gifts by Living Individuals	Under $1,000	81,848	95.7	$ 6,204,699	25.6	1,138	1.3	$ 346,311	1.4	82,336	97.1	$ 6,551,010	27.0
	Over $1,000	1,708	2.0	6,160,943	25.4	694	.8	8,138,813	33.5	2,402	2.8	14,299,756	58.9
	Total	83,556	97.7	12,365,642	51.0	1,832	2.1	8,485,124	34.9	85,388	99.9	20,850,766	85.9
Life Income Gifts	Under $1,000	4	.0	$ 620	.0	0	.0	$ 0	0	4	0	$ 620	.0
	Over $1,000	13	.0	239,621	1.0	97	.1	3,183,717	13.1	110	.1	3,423,338	14.1
	Total	17	.0	240,241	1.0	97	.1	3,183,717	13.1	114	.1	3,423,958	14.1
Total Gifts by Living Individuals	Under $1,000	81,852	95.7	$ 6,205,319	25.6	1,138	1.3	$ 346,311	1.4	82,990	97.1	$ 6,551,630	27.0
	Over $1,000	1,721	2.0	6,400,564	26.4	791	.9	11,322,530	46.6	2,512	2.9	17,723,094	73.0
	Total	83,573	97.7	12,605,883	52.0	1,929	2.2	11,668,841	48.0	85,502	100.0	24,274,724	100.0
									Grand Total	85,502		24,274,724	

Dartmouth received total private support for the 3-year period, fiscal 1972-74, of $48,435,760. Of this amount, total giving by living individuals ($24,274,724) was 50.1%.

Exhibit 4

Analysis of Bequests to Dartmouth College by Size for 3-Year Period, Fiscal 1972-74

	No. of Requests	Dollar Value
Under $1,000	41	$ 14,615
Over $1,000	146	11,331,949
Total	187	11,346,564

Notes: 1. Dartmouth received total private support for the 3-year period, fiscal 1972-74, of $48,435,760. Of this amount, bequests accounted for 23.4%, and total giving by individuals, both living ($24,274,724) and deceased ($11,346,564), accounted for 73.5%.

2. Bequests are usually received in cash due to most executors' practice of liquidating securities and other estate property before making distributions. It is conservatively estimated, however, that at least 75% of bequest distributions to Dartmouth were actually derived from property that had been appreciated in the testators' hands.

Exhibit 5

Analysis by Size of Gifts and Grants of Corporations and Foundations to Dartmouth College for 3-Year Period, Fiscal 1972-74

		No. of Gifts or Grants	Dollar Value
	Under $1,000	4,421	$ 599,470
Corporations	Over $1,000	607	2,537,894
	Total	5,028	3,137.364
Foundations	Under $1,000	44	35,732
	Over $1,000	238	9,639,536
	Total	282	9,675.268

Note: Of the total private support received by Dartmouth for the 3-year period, fiscal 1972-74 ($48,435,760), total gifts from corporations and business concerns accounted for 6.5% and foundation grants accounted for 20%.

> *School of Medicine.* On July 15, 1974, the School announced an unrestricted gift of $2 million from an individual living in southern California. The gift was praised by the Dean for its 'unusual flexibility, so that the funds can be used where they will really count in developing programs of the School.'
>
> *The deGuerre Pools and Courts* (handball and squash) were dedicated in February 1974, marking the culmination of a gift-raising effort begun in 1969. The facilities, costing $2.2 million, were funded by a number of gifts in addition to the bequest providing the name gift. The facility will serve accelerating student desires for instruction in water sports, intercollegiate and intramural competition, and recreation for students, faculty and staff.

"Another Stanford statistic that may be of interest is that during fiscal 1972-73, Stanford received $14,494,245 in gifts from *living individuals;* of this $13,203,714 or 91.1% was received by gifts of securities or real estate" demonstrating that "the charitable deduction provisions of the tax laws are effective in increasing gifts."

Stanford's reaction to the question of how recent legislation concerning philanthropy has affected giving to their university is comprehensive:

> I know of no adverse effect of the 1969 Act on outright gifts from living individuals in the form of cash, or of securities or other long-term gain capital assets. However, there have been some cases since the Act became operative in which donors have decided against making gifts of tangible personal property because of the limited deduction for them. Also, several living individuals who have inquired about bargain sale gifts since passage of the new Act have declined to make their gifts in that way because they would have had to pay a capital gains tax as part of the transaction. We have not kept accurate count of these inquiries, but there have been perhaps a dozen or so. Additionally, several prospective donors have discussed and rejected the idea of making gifts in the form of a short-term trust because of the reduced tax benefits and extended trust period under the new law. The effect of the 1969 Act on life income gifts from living individuals was to discourage them extremely in the period just before and after the Act's passage, that is, during our fiscal years 1969-70 and 1970-71. A major reason for this sharp decline was the uncertainty about the tax consequences of such gifts. The Act has not discouraged outright bequests to Stanford, since it did not change the law. However, it is probable that some bequests have reached the University in changed form, and some may even have been reduced in amount because of the rigidity introduced into life income trusts by the new law. We have talked with several donors and attorneys who were deterred from including the charitable remainder trusts in the donors' wills because the trust corpus could not be invaded to meet possible emergency needs of the life beneficiaries. We do not know what was the final resolution in each of these cases, but it is possible that the solution used in some of them was to set up a smaller charitable trust than was originally intended, accompanied by a larger, invadable trust. Also, we have recently received two life income bequests which did not qualify for the charitable deduction because they did not conform to the technical requirements of the 1969 Act. Stanford, therefore, received less because the larger estate tax was in effect charged against the charitable bequest. In the foundation area, we estimate Stanford has received less than $1,500,000 from foundations which terminated their existence because of the expense and difficulty of complying with requirements of the 1969 Act.

Materials sent by Stanford also included a paper prepared by William F. Massy. Comments on how the conclusions of this report would be modified by reduced voluntary support are enlightening:

> The enclosed paper (The Economics of Endowed Universities) describes projections made for Stanford University based on predicted values of key economic parameters and their effects upon probable rates of gift-giving for term support and endowment. We believe the paper is self-explanatory in terms of the principles on which the model is based, the nature of the calculations, etc.
>
> Your letter prompted Professor Massy and David Hopkins to undertake some additional runs of the model to determine the effect of reductions in the level of giving. These are summarized in the table which appears below.
>
> These results should be compared to "run A" in Table 4 (p. 26) in the paper. This run assumes a fairly high rate of tuition increase and a reasonably optimistic figure for total

return on endowment, but otherwise is indicative of the conditions under which Stanford might be expected to operate given the economic assumptions described. (The level of inflation will probably be greater than the 4% assumed in the paper, but this would not have a strong effect on the results, since it would modify all of the parameters in the model equally.)

The methodology used in the supplementary runs was to reduce the initial conditions for gift-giving for both term support and endowment by the percentages indicated in the Table. For example, the "year 1" assumed increase in endowment due to gift-giving is $8.3 million as indicated in footnote b to Table 4 in the paper. The "5% reduction" column in the following Table assumes that the $8.3 million figure was reduced to $7.9 million. A similar reduction is made in the gift-giving component of the "expendable gifts and grants" line item under "income projections" (see p. 23). However, both gift-giving amounts are assumed to grow in years 2, 3, etc., at the rate of personal income, the same as in the bench mark run. This assumption is consistent with the idea that a change in the tax laws produces a one-time shift in the level of gift support; once this has occurred, however, future growth continues to be proportional to per capita personal income.

The table shown below indicates that a 5% reduction in gift support increases the endowment shortfall from $3.4 million in the bench mark run to $18.5 million. If it were not possible to increase endowment by this amount through extraordinary measures (and this might well be the case given the assumed change in the tax laws), it might be necessary to compensate for the shortfall by increasing tuition. The tuition increase needed to compensate for the loss in gift-giving support is shown in the second line of the Table. For a 5% reduction in gift-giving this figure amounts to $55 per student for the year, which is an increase of 1.3% over the tuition assumed in the model. (Note that "year 1" in the model refers to 1977-78, at which time Stanford's tuition is projected to be above $4,000.)

A really major and adverse change in the tax laws which reduced gift-giving by 50% would cause a $154.2 million shortfall in total endowment. This is 48% of the beginning endowment figure used in the model, which underlines the disastrous consequences of such an event. The tuition increase needed to compensate for such a reduction in gift-giving is $537, a 12.4% increase.

Base Year Decrease in Gift Support
Over Benchmark Run*

	0	5%	10%	25%	50%
Endowment shortfall ($ million)	3.4	18.5	33.6	78.8	154.2
Compensating tuition increase	$0	$55	$109	$272	$537
	0%	(1.3%)	(2.6%)	(6.5%)	(12.4%)

*The benchmark run is Run A of Table 4 of W. F. Massy, "The Economics of Endowed Universities," Report No. 73-3: Academic Planning Office (December, 1973).

Appendix C

Listing of the Three Samples of Institutions (125 Private Colleges, 47 Selected Private Colleges, 21 Public and Private Universities)

125 Private Colleges

1 Moravian College, PA
2 Hobart & William Smith Colleges, NY
3 Our Lady of the Lake College, TX
4 Ithaca College, NY
5 College of Saint Elizabeth, NJ
6 Iona College, NY
7 Aquinas College, MI
8 St. Thomas Aquinas College, NY
9 Simmons College, MA
10 Nasson College, ME
11 Rider College, NJ
12 Wheaton College, MA

125 Private Colleges (cont'd.)

13 College Misericordia, PA
14 Loyola College, MD
15 Cabrini College, PA
16 Westminster College, PA
17 Ashland College, OH
18 Chapman College, CA
19 Lewis and Clark College, OR
20 Pitzer College, CA
21 Springfield College, MA
22 Guilford College, NC
23 Keuka College, NY
24 Westminster College, MO
25 Immaculata College, Washington, D.C.
26 St. Francis College, NY
27 Russell Sage College, NY
28 Gettysburg College, PA
29 Mount Mercy College, IA
30 No name
31 Morris Harvey College, WV
32 Mount Saint Mary's College, MD
33 Ursuline College, OH
34 Mary Manse College, of Toledo, OH
35 Quincy College, IL
36 Saint Francis College, IN
37 Fontbonne College, Missouri
38 Saint Peter's College, NJ
39 Spring Hill College, AL
40 Barnard College (Columbia College) NY
41 Abilene Christian College, TX
42 Morningside College, IA
43 Rosary College, IL
44 Pace College, NY
45 Augustana College, SD
46 Mount Holyoke College, MA
47 Skidmore College, NY
48 Roanoke College, VA
49 Middlebury College, NJ
50 Saint Ambrose, IA
51 Wilmington College, OH
52 Muhlenberg College, PA
53 Franklin & Marshall College, PA
54 Marymount College, NY
55 Morehouse College, GA
56 Columbia College, SC
57 Pacific Union College, CA
58 St. Anselm's College, NH
59 Holy Names College, CA
60 Central College, IA
61 Mercyhurst College, PA
62 Marywood College, PA
63 Davis & Elkins College, WV
64 California Baptist College, CA
65 Randolph-Macon College, VA
66 Hampden-Sydney College, VA
67 Westminster College, Missouri
68 Tusculum College, TN
69 St. Louis-Chaminade Education Center
70 Erskine College, SC
71 Kalamazoo College, MI
72 Indiana Central College, IN
73 Saint John's College, MD
74 College of the Holy Cross, Ma
75 Drury College, Missouri
76 Presbyterian College, SC
77 Davidson College, NC
78 Wofford College, SC
79 College of St. Teresa, MN
80 Northwest Nazarene College, Idaho
81 Missouri Valley College, MO
82 Milton College, WI
83 Emory & Henry College, VA
84 Findley College, OH
85 Whitworth College, Inc., WA
86 Goshen College, IN
87 Sarah Lawrence College, NY
88 D'Youville College, NY
89 Mississippi College, Mississippi
90 Tuskegee Institute, AL
91 No name
92 Huntingdon College, AL
93 Queens College, NC
94 Lakeland College, WI
95 Graceland College, IA
96 Briarcliff College, NY
97 Simpson College, IA
98 Tarkio College, Missouri
99 Trinity College, Washington, D.C.
100 Florida Memorial College, FA
101 California Lutheran College, CA
102 The Berry Schools, GA
103 Manchester Collete, IN
104 Lambuth College, TN
105 Tennessee Wesleyan College, TN
106 Benedict College, SC
107 Hood College, MD
108 Rosary Hill College, NY
109 Mercy College of Detroit, MI
110 Berea College, KY
111 Webster College, Missouri
112 North Central College, IL
113 Calvin College & Seminary, MI
114 Haverford College, PA
115 Iowa Wesleyan, IA
116 Sacred Heart College, PA
117 College of St. Benedict, MN
118 Marymount College, KS
119 New College, FL
120 Dominican College, TX
121 Saint Mary of the Woods College, IN
122 Nazareth College, MI
123 Louisiana College, LA
124 Harvey Mudd College, CA
125 Erskine College *Seminery*, SC

47 Selected Private Colleges

1 Reed, OR
2 Marietta College, OH
3 Occidental College, CA
4 Univ. of the Redlands, CA
5 Oberlin College, OH
6 Antioch College, OH
7 Whitman College, WA
8 Allegheny College, PA
9 Beloit, WI
10 Kenyon College, OH
11 Capital University, OH
12 Mount Union College, OH
13 Mills College, CA
14 Saint Olaf College, MN
15 Albion, MI
16 Denison University, OH
17 Lawrence University, WI
18 Sweet Briar College, VA
19 Swarthmore College, PA
20 De Pauw University, IN
21 Knox College, IL
22 Carleton College, MN
23 Rollins College, FL
24 Hope College, MI
25 Goucher College, MD
26 Heidelberg College, OH
27 Muskingum College, OH
28 Hamilton College, NY
29 Scripps College, CA
30 Meredith College, NC
31 College of Wooster, OH
32 Hiram College, OH
33 Grinnell College, IA
34 The Colorado College, Colorado
35 Cornell College, IA
36 Claremont Men's College, CA
37 Monmouth College, IL
38 Wellesley College, MA
39 Pomona College, CA
40 MacMurray College, IL
41 Amherst College, MA
42 Macalester College, MN
43 Coe College, IA
44 Ohio Wesleyan University, OH
45 Williams College, MA
46 Alma, MI
47 Earlham College, IN

21 Public and Private Universities

1 University of Maine
2 University of Alaska
3 Mercer University, GA
4 University of Alabama
5 Inter-American University of Puerto Rico
6 Bucknell University, PA
7 University of Arizona
8 University of Virginia
9 John Carroll University, OH
10 Case Western Reserve, OH
11 University of Cincinnati, OH
12 Pacific University, OR
13 Colgate University, NY
14 The University of Michigan, MI
15 Brown University, RI
16 University of Chicago, IL
17 DePaul University, IL
18 Columbia University, NY
19 University of Evansville, IN
20 University of Nebraska
21 Johnson C. Smith University & Seminary, NC

Table D-1

Voluntary Support of Higher Education, by Type of Institution
Growth Index: 1964-65 = 100%

(in thousands of dollars)

Type of Institution	1964-1965 Base Year		1965-1966		1966-1967		1967-1968		1968-1969		1969-1970		1970-1971		1971-1972		1972-1973		Mean Annual Growth
Major Private Universities	$9,014	100.0%	$8,076	[illegible]	$8,752	97.1%	$9,924	110.1%	$10,086	111.9%	$10,474	116.2%	$10,421	115.6%	$11,061	122.7%	$10,913	121.1%	2.4%
Private Coed Colleges	833	100.0	798	95.8	772	92.7	746	89.6	970	116.5	784	94.1	787	94.5	872	104.7	1,022	122.7	3.5
Public Institutions	1,022	100.0	1,271	124.4	1,263	123.6	1,190	116.4	1,457	142.6	1,480	144.8	1,409	137.9	1,604	157.0	1,766	172.8	7.1
Professional & Spec. Schools	1,196	100.0	1,511	126.3	1,524	127.4	1,287	107.6	1,101	92.1	1,186	99.2	1,478	123.6	1,132	94.7	1,498	125.3	3.2
Private Women's Colleges	536	100.0	469	87.5	456	85.1	515	96.1	577	107.7	551	102.8	603	112.5	684	127.6	724	135.1	4.0
Private Men's Colleges	1,126	100.0	945	83.9	893	79.3	1,030	91.5	1,081	[illegible]	1,065	94.6	1,121	[illegible]	1,420	126.0	1,602	142.3	5.1
Junior Colleges	108	100.0	137	126.9	137	126.9	142	131.5	133	123.2	173	160.2	173	160.2	145	134.3	187	173.2	7.1
Total	$1,170	100.0%	$1,181	101.0%	$1,219	104.2%	$1,315	112.4%	$1,442	123.3%	$1,408	120.3%	$1,392	119.0%	$1,506	128.7%	$1,716	146.7%	5.0%

Source: CFAE Reports.

Table D-2

Philanthropic Support of Public and Private Institutions by Purpose, 1972

(In thousands of dollars)

	Educational & Gen. Gift Income			Research			Student Aid			Educational & General + Student Aid Endowment Income			Total	
Public Institutions	Aggregate (1)	Per Inst. (2)	% of Col.13 (3)	Appr. (4)	Per Inst. (5)	% of Col.13 (6)	Appr. (7)	Per Inst. (8)	% of Col.13 (9)	Appr. (10)	Per Inst. (11)	% of Col.13 (12)	Appr. (13)	Per Inst. (14)
Leading research universities	$40,779	$1,854	37.1%	$18,850	$2,001	17.2%	$26,994	$1,285	24.6%	$23,202	$1,114	21.1%	$109,834	$6,366
Other research universities	13,577	617	27.6	14,761	1,067	30.0	10,446	380	21.2	10,402	417	21.2	49,186	2,461
Large doctoral granting institutions	8,139	479	31.6	2,069	360	8.0	6,458	350	25.1	9,090	650	35.3	25,764	1,857
Small doctoral granting institutions	1,168	130	15.5	1,122	349	15.0	3,811	206	50.5	1,453	138	19.2	7,554	812
Sub-Total	63,663		33.1	36,811		19.1	47,709		24.8	44,155		23.0	192,338	
Comprehensive colleges I	7,540	86	28.3	2,933	126	11.0	12,810	87	48.1	3,356	88	12.6	26,639	163
Comprehensive colleges II	1,436	57	17.9	3,776	616	46.9	1,671	36	20.8	1,162	65	14.4	8,045	778
Sub-Total	8,976		25.9	6,709		19.3	14,481		41.8	4,518		13.0	34,684	
Selective liberal arts colleges	1	1	100.0	--	--	--	--	--	--	--	--	--	1	1
Other liberal arts colleges	32	5	9.1	21	11	6.0	243	16	69.4	54	11	15.4	350	65
Sub-Total	33		9.4	21		6.0	243		69.2	54		15.4	351	
Two-year institutions	2,915	10	25.0	333	22	2.8	6,443	16	55.2	1,985	62	17.0	11,676	119
Seminaries, etc.	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Medical schools	13,367	891	56.0	4,663	605	19.5	726	61	3.0	5,135	570	21.5	23,891	2,109
All others	452	—	27.1	234	—	14.0	378	—	22.6	606	—	36.3	1,670	
Total	89,443	238	33.8	48,761	618	18.4	69,980	97	26.5	56,427	131	21.3	264,610	
Private Institutions														
Leading research universities	154,551	7,728	31.7	70,990	6,420	14.5	22,399	1,244	4.6	240,302	12,015	49.2	488,242	24,407
Other research universities	38,738	2,152	34.2	24,498	2,107	21.6	6,901	600	6.1	43,142	2,433	38.1	113,279	7,080
Large doctoral granting institutions	37,364	3,736	74.3	2,976	977	5.9	2,411	200	4.8	7,331	692	14.6	50,082	5,673
Small doctoral granting institutions	16,174	1,155	46.1	1,020	389	2.9	2,646	241	7.5	15,237	1,255	43.4	35,077	3,080
Sub-Total	246,827		35.9	99,484		14.5	34,357		5.0	306,012		44.6	686,680	
Comprehensive colleges I	44,657	502	56.4	1,436	99	1.8	7,039	101	8.9	26,061	345	32.9	79,193	1,007
Comprehensive colleges II	24,710	441	62.2	624	111	1.6	2,130	95	5.4	12,281	263	30.9	39,745	872
Sub-Total	69,367		58.3	2,060		1.7	9,169		7.7	38,342		32.2	118,938	
Selective liberal arts colleges	61,205	435	40.3	1,361	60	.9	10,630	93	7.0	78,780	599	51.8	152,016	1,196
Other liberal arts colleges	167,411	326	75.9	3,602	98	1.6	14,508	61	6.6	34,962	100	15.9	220,481	550
Sub-Total	228,616		61.4	4,963		1.3	25,138		6.8	113,742		30.5	372,497	
Two-year institutions	29,340	150	83.1	171	38	.5	1,152	16	3.3	4,258	67	12.1	35,321	206
Seminaries, etc.	62,243	296	72.3	959	116	1.1	3,433	33	4.0	19,403	184	22.6	86,037	607
Medical schools	5,693	407	48.2	3,387	583	28.7	410	56	3.5	2,320	214	19.6	11,810	1,090
All others	31,898	—	69.3	1,075	—	2.3	3,751	—	8.1	9,389	—	20.4	46,113	
Total	674,044	482	49.7	112,079	903	8.3	77,410	87	5.7	493,465	527	36.4	1,357,396	

Source: HEGIS-Carnegie Commission-NCFPHE Sample.

Table D-3

Percentage Distribution of Current Gift and Endowment Income:
Public Institutions, 1969-70 through 1971-72 (Total Gifts = 100%)

Total Gifts	$ 838,828,000	$ 940,354,000	$1,072,744,000
Universities	12.8%	14.9%	15.4%
4-year colleges	3.2	3.0	3.2
2-year colleges	.6	.8	.9
Total Endowment Income	$ 514,950,000	$ 541,275,000	$ 549,896,000
Universities	11.9%	11.7%	9.1%
4-year colleges	1.1	.8	.8
2-year colleges	.6	.3	.4
Total Philanthropic Income	$1,353,778,000	$1,481,629,000	$1,622,640,000
Universities	12.4%	13.7%	13.3%
4-year colleges	2.4	2.2	2.4
2-year colleges	.6	.6	.7

Table D-4

Number of Institutions Reporting Gift Income 1972.
HEGIS-Carnegie Commission-NCFPBE Sample: 2,801 Institutions

	Educational & General Gifts		Sponsored Research		Other Research & Sponsored Prog.		Student Aid	
	Public	Private	Public	Private	Public	Private	Public	Private
Leading research universities	22	20	10	14	8	6	21	18
Other research universities	22	18	15	13	12	10	29	17
Large doctoral granting institutions	17	10	6	4	5	1	18	9
Small doctoral granting institutions	9	14	5	5	2	2	19	11
All universities	70	62	36	36	27	19	87	55
Comprehensive colleges I	90	89	19	14	27	15	148	70
Comprehensive colleges II	25	56	5	7	9	5	46	39
All comprehensive colleges	115	145	24	21	36	20	194	109
Selective liberal arts colleges	1	141	-	20	-	19	-	114
Other liberal arts colleges	6	516	2	25	-	43	15	339
All liberal arts colleges	7	657	2	45		62	15	453
Two-year institutions	157	193	1	1	15	6	396	97
All others	34	338	12	18	10	26	31	182
Total	383	1,387	75	121	88	133	723	896

Table D-5

Aggregate 1970, 1971, 1972 Current Operating Gifts for Public and Private Institutions, HEGIS Standard Sample

(in thousands of dollars)

Purpose by Type of Institution	Universities			4-Year Institutions			2-Year Institutions			Total		
	1969-70	1970-71	1971-72	1969-70	1970-71	1971-72	1969-70	1970-71	1971-72	1969-70	1970-71	1971-72
Public												
Ed. & Gen. Gifts	$46,465	$53,503	$75,691	$10,633	$11,514	$11,823	$ 1,236	$ 2,215	$ 2,550	$58,334	$67,232	$90,070
Spons. Research	15,626	27,837	27,620	3,658	2,714	4,956	18	3	8	19,302	30,554	32,576
Other Research	5,479	11,630	11,883	2,885	3,138	3,979	37	151	323	8,401	14,919	16,185
Ed. & Gen. Total Gifts	67,570	92,970	115,194	17,176	17,366	20,758	1,291	2,369	2,881	86,037	112,705	138,833
Student Aid	39,553	47,056	50,254	9,799	11,028	13,449	3,927	5,079	6,278	53,279	63,163	69,981
Total Gifts	107,123	140,026	165,448	26,975	28,394	34,207	5,218	7,448	9,159	139,316	175,868	208,814
Ed. & Gen. Endowment	50,125	50,737	40,469	4,430	3,289	3,175	2,529	1,465	1,616	57,084	55,491	45,260
Total Ed. & Gen. + End. Gifts	117,695	143,707	155,663	21,606	20,655	23,933	3,820	3,834	4,497	143,121	168,196	184,093
Student Aid Endowment	10,937	12,577	9,541	1,076	1,151	1,323	341	248	306	12,354	13,976	11,170
Total Stu. Aid Gift + End.	50,490	59,633	59,795	10,875	12,179	14,772	4,268	5,327	6,584	65,633	77,139	81,151
Total Gifts + End. Income	168,185	203,340	215,458	32,481	32,834	38,705	8,088	9,161	11,081	208,754	245,335	265,244
Ed. & Gen. Income	6,375,122	6,948,952	7,656,677	2,930,936	3,372,098	3,795,963	1,699,363	2,071,290	2,393,412	11,005,421	12,392,340	13,846,052
Expenditures	6,100,403	6,655,580	7,020,235	2,767,734	3,235,492	3,655,132	1,578,302	1,904,501	2,256,167	10,446,439	11,795,573	12,931,534
Total Income	8,308,664	9,092,134	9,487,260	3,686,202	4,231,876	4,712,046	1,854,798	2,265,822	2,614,535	13,849,664	15,589,832	16,813,841
Expenditures	8,089,557	8,876,017	9,177,909	3,509,899	4,084,932	4,591,140	1,732,081	2,096,656	2,471,506	13,331,537	15,057,605	16,240,555
Private												
Ed. & Gen. Gifts	184,153	205,973	239,313	343,962	376,630	405,588	26,951	27,675	29,143	555,066	610,278	674,044
Spons. Research	48,125	47,771	73,366	6,498	6,075	6,543	1	1	12	54,624	53,847	79,921
Other Research	9,333	22,003	24,417	5,770	6,464	7,581	278	474	159	15,381	28,941	32,157
Ed. & Gen. Total Gifts	241,611	275,747	337,096	356,230	389,169	419,712	27,230	28,150	29,314	625,071	693,066	786,122
Student Aid	35,490	32,331	34,379	37,626	37,565	41,845	1,325	1,504	1,584	74,441	71,400	77,808
Total Gifts	277,101	308,078	371,475	393,856	426,734	461,557	28,555	29,654	30,898	699,512	764,466	863,930
Ed. & Gen. Endowment	215,199	238,184	241,754	170,598	172,280	179,335	3,748	3,633	3,855	389,545	414,097	424,944
Total Ed. & Gen. + End. Gifts	456,810	513,931	578,850	526,828	561,449	599,047	30,978	31,783	33,169	1,014,616	1,107,163	1,211,066
Student Aid Endowment	29,631	30,445	39,238	26,072	26,964	28,976	264	322	308	55,967	57,731	68,522
Total Stu. Aid Gift + End.	65,121	62,776	73,617	63,698	64,529	70,821	1,589	1,826	1,892	130,408	129,131	146,330
Total Gifts + End. Income	521,931	576,707	652,467	590,526	625,978	669,868	32,567	33,609	35,061	1,145,024	1,236,294	1,357,396
Ed. & Gen. Income	2,865,502	3,090,389	3,358,734	2,532,445	2,798,379	3,073,651	162,846	169,396	177,972	5,560,793	6,058,164	6,610,357
Expenditures	2,794,877	3,004,242	3,209,286	2,464,731	2,702,921	2,926,874	164,430	170,499	179,106	5,424,038	5,877,662	6,315,266
Total Income	3,869,879	4,146,594	4,495,674	3,655,314	3,974,265	4,436,851	232,189	239,684	248,966	7,757,382	8,360,543	9,181,491
Expenditures	3,911,573	4,184,012	4,470,485	3,665,320	3,869,828	4,387,731	227,150	232,190	243,508	7,804,043	8,286,030	9,101,724

Table D-6

Per Institution 1970, 1971, 1972 Current Operating Gifts for Public and Private Institutions, HEGIS Standard Sample

(In thousands of dollars)

Purpose, by Type of Institution	Universities			4-Year Institutions			2-Year Institutions			Total		
	1969-70	1970-71	1971-72	1969-70	1970-71	1971-72	1969-70	1970-71	1971-72	1969-70	1970-71	1971-72
	$	$	$	$	$	$	$	$	$	$	$	$
Public												
Ed. & Gen. Gifts	783	670	587	90	94	97	13	18	19	885	790	703
Spons. Research	480	500	614	135	88	171	4	7	9	623	671	785
Other Research	252	332	297	93	92	121	5	12	22	262	436	440
Ed. & Gen. Total Gifts	1,423	1,590	1,498	316	274	389	22	33	41	1,780	1,897	1,928
Student Aid	473	136	342	53	55	66	14	15	17	530	406	425
Total Gifts	1,906	1,726	1,840	369	329	455	36	48	58	2,310	2,103	2,383
Ed. & Gen. Endowment	651	566	435	61	56	60	84	65	60	790	685	543
Total Ed. & Gen. + End. Gifts	2,104	1,956	1,933	375	330	437	106	98	101	2,585	2,370	2,471
Student Aid Endowment	156	132	89	17	17	10	8	5	5	161	154	113
Total Stu. Aid Gift + End.	631	468	431	69	72	84	22	20	22	710	560	537
Total Gifts + End. Income	2,735	2,422	2,364	444	402	521	128	118	123	3,297	2,930	3,008
Ed. & Gen. Income	67,107	36,005	38,522	8,862	9,600	10,015	2,605	3,218	3,282	77,996	48,814	48,620
Expenditures	64,238	34,307	32,351	8,313	8,864	9,906	2,480	2,867	3,074	73,016	46,018	45,331
Total Income	87,480	47,110	43,[illegible]	11,270	11,365	13,425	2,930	3,453	3,586	101,460	62,683	60,934
Expenditures	85,153	45,753	42,[illegible]	10,540	11,193	12,442	2,733	3,194	3,367	98,425	60,079	58,100
Private												
Ed. & Gen. Gifts	2,803	3,020	3,304	314	335	358	128	136	155	3,265	3,500	3,833
Spons. Research	2,080	1,403	2,158	92	80	76	1	1	13	2,185	1,574	2,246
Other Research	620	1,080	1,017	72	60	74	28	40	28	722	1,108	1,117
Ed. & Gen. Total Gifts	5,637	5,522	7,099	478	480	508	157	177	189	6,273	6,179	7,196
Student Aid	657	567	155	38	38	57	11	13	17	716	632	629
Total Gifts	6,290	6,089	7,254	520	538	565	168	190	206	6,990	6,811	7,825
Ed. & Gen. Endowment	3,418	3,452	3,555	202	203	212	34	34	38	3,488	3,089	3,805
Total Ed. & Gen. + Gen. Gifts	9,055	8,974	10,654	680	683	720	191	211	227	9,926	9,868	11,001
Student Aid Endowment	570	538	677	50	51	56	7	8	8	588	598	740
Total Stu. Aid Gift + End.	1,198	1,105	1,232	140	145	112	18	23	25	1,314	1,275	1,369
Total Gifts + End. Income	10,268	10,075	11,886	780	784	832	208	234	250	11,238	11,083	12,370
Ed. & Gen. Income	44,085	43,736	45,388	2,190	2,385	2,505	646	706	736	46,929	45,[illegible]	48,708
Expenditures	42,986	41,184	43,368	2,178	2,285	2,462	653	710	740	45,780	44,149	46,570
Total Income	58,577	56,802	60,752	3,173	3,358	3,732	985	999	1,029	61,635	61,161	65,513
Expenditures	60,178	57,318	60,412	3,170	3,256	3,680	985	967	1,086	64,298	61,638	65,108

Table E-2

Ohio Private Institutions, Ranked by Room and Board Charges, as Compared with the Mean Public Room and Board Charges, 1974-75

Private Colleges and Universities in Ohio	Room and Board Charges	Divided by Mean Room and Board Charges State Universities
Case Western Reserve University	1,455	1.13
Pontifical College Josephinum	1,450	1.12
Cleveland Institute of Music	1,430	1.10
Cleveland Institute of Art	1,400	1.08
Dyke College	1,400	1.08
St. Joseph College	1,400	1.08
Urbana College	1,380	1.06
Kenyon College	1,372	1.06
Oberlin College	1,365	1.05
Denison University	1,300	1.00
Rio Grande College	1,275	.98
Edgecliff College	1,270	.98
Ashland College	1,260	.97
Wittenberg University	1,248	.96
Mt. St. Joseph on-the-Ohio	1,240	.96
Ohio Wesleyan University	1,230	.95
Ohio Dominican College	1,220	.94
Baldwin-Wallace College	1,215	.94
Notre Dame College	1,200	.93
Xavier University	1,190	.92
Wilmington College	1,185	.91
Capital University	1,160	.89
Marietta College	1,150	.89
Ursuline College	1,150	.89
Dayton, University of	1,122	.87
Muskingum College	1,120	.86
Cedarville College	1,110	.86
Steubenville, College of	1,100	.85
Walsh College	1,100	.85
Mount Union College	1,095	.84
Ohio Northern University	1,095	.84
John Carroll University	1,075	.83
Antioch College	1,050	.81
Mary Manse College	1,050	.81
Wilberforce University	1,050	.81
Heidelberg College	1,030	.79
Bluffton College	1,025	.79
Defiance College	1,020	.79
Findlay College	1,014	.78
Malone College	1,008	.78
Hiram College	965	.74
Borromeo Seminary of Ohio	900	.69
Cincinnati Bible Seminary	900	.69
Otterbein College	900	.69
Tiffin College	800	.62
Athenaeum of Ohio	650	.50

Source: Adapted from East Ohio Gas Company, Tenth Annual Report on College Costs, compiled by East Ohio Gas Company, Cleveland, Ohio, 1974

Table E-3

Ohio Private Institutions, Ranked by Total Student Charges, as Compared with the Mean Public Total Student Charges, 1974-75

Private Colleges and Universities in Ohio	Total Student Charges	Private ÷ Public Ratio Divided by Mean State University Total Student Charges
Oberlin College	4,669	2.26
Kenyon College	4,408	2.14
Case Western Reserve University	4,330	2.10
Cleveland Institute of Music	4,302	2.09
Denison University	4,270	2.07
Antioch College	4,245	2.06
Ohio Wesleyan University	4,030	1.95
Wittenberg University	3,942	1.91
Baldwin-Wallace College	3,894	1.89
Wooster, College of	3,891	1.89
Hiram College	3,800	1.84
Ashland College	3,764	1.83
Muskingum College	3,730	1.81
Lake Erie College	3,700	1.79
Marietta College	3,700	1.79
Capital University	3,655	1.77
Otterbein College	3,650	1.77
Heidelberg College	3,600	1.75
Wilmington College	3,600	1.75
Mount Union College	3,555	1.72
Defiance College	3,370	1.63
Ohio Northern University	3,351	1.62
Cleveland Institute of Art	3,350	1.62
Urbana College	3,288	1.59
Bluffton College	3,285	1.59
Findlay College	3,219	1.56
St. John College	3,200	1.55
Rio Grande College	3,165	1.53
Ohio Dominican College	3,100	1.50
John Carroll University	3,075	1.49
Xavier University	3,070	1.49
Mt. St. Joseph on-the-Ohio	3,064	1.49
Dayton, University of	2,952	1.43
Pontifical College Josephinum	2,955	1.43
Edgecliff College	2,870	1.39
Malone College	2,866	1.39
Walsh College	2,799	1.36
Steubenville College	2,790	1.35
Wilberforce University	2,780	1.35
Dyke College	2,750	1.33
Ursuline College	2,725	1.32
Cedarville College	2,676	1.30
Notre Dame College	2,600	1.26
Mary Manse College	2,550	1.24
Tiffin College	2,160	1.05
Athenaeum of Ohio	2,075	1.01
Borromeo Seminary of Ohio	1,915	.93
Cincinnati Bible Seminary	1,903	.92
Franklin University	1,080	.52

Source: Adapted from East Ohio Gas Company, Tenth Annual Report on College Costs, Compiled by East Ohio Gas Company, Cleveland, Ohio, 1974.

Table E-4

Summary of Total Educational and General Gifts and Grants Plus Endowment for the Sample of 21 Public and Private Universities, 1969-72

	1969		1970		1971		1972	
	Gifts	Gifts + Endowment	Gifts	Gifts + Endowment	Gifts	Gifts + Endowment	Gifts	Gifts + Endowment
Increasing	$24,284,112	$34,798,406	$27,095,576	$38,662,217	$29,022,370	$41,316,261	$26,730,020	$39,387,471
Decreasing	3,333,248	15,833,470	7,156,250	16,782,082	5,829,443	15,849,692	4,686,607	14,930,982
No-Trend	47,410,035	80,005,394	49,227,403	85,258,601	45,597,780	81,932,731	48,228,403	87,245,492
Total	75,027,395	130,637,270	83,479,229	140,702,900	80,449,593	139,098,684	79,645,030	141,563,945

Total by Year	Aggregate Gifts	Aggregate Gifts + End.	Gifts as % of Total Exp.	Gifts + End. as % of Total Exp.	Per Institute Gifts	Per Institute Gifts + End.
1969	$75,027,395	$130,637,270	6.43%	11.19%	$ 3,572,733	$ 6,220,822
1970	83,479,229	140,702,900	6.71	11.31	3,975,201	6,700,138
1971	80,449,593	139,098,684	5.97	10.32	3,830,933	6,623,747
1972	79,645,030	141,563,945	5.44	9.66	3,792,620	6,741,140

Year	Total Expenditures	Per Institute Expenditures	Per Inst. Gifts + End. Inc. as % of Per Inst. Exp.
1969	$1,167,318,755	$55,586,607	11.2%
1970	1,244,339,716	59,254,272	11.3
1971	1,348,498,278	64,214,204	10.3
1972	1,465,199,585	69,771,409	9.7

Table E-1

Philanthropic Support Reported for Current Operations and Capital Needs in Higher Education, by Type of Institution, 1960-61 through 1972-73

Type of Institution	1960-61	1962-63	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73
Major Private Univ.											
Current Oper.	$160,382,554	$164,063,513	$206,127,795	$230,990,708	$230,177,380	$[illegible]	$308,958,102	$331,[illegible],712	$316,007,053	$364,187,191	$387,057,120
% of Total[a]	46.3	45.1	42.7	49.7	47.9	49.4	50.3	52.	52.3	50.2	51.7
Capital	185,881,301	200,037,467	273,815,210	221,212,586	251,187,628	308,627,813	305,344,516	306,958,011	288,408,987	361,619,316	362,192,076
% of Total	53.7	54.9	57.3	50.3	52.1	50.6	49.7	48.	47.7	49.8	48.3
Private Men's Coll.											
Current Oper.	11,622,871	13,110,382	14,240,676	16,107,375	20,081,506	10,250,382	18,520,959	21,860,771	16,880,813	10,626,083	8,208,608
% of Total	30.4	27.1	18.9	27.1	35.1	32.8	32.3	49.4	46.8	37.2	36.6
Capital	26,602,825	35,312,956	61,213,983	43,616,050	37,112,694	20,661,085	[illegible]	22,228,636	16,711,318	17,990,483	14,230,617
% of Total	69.6	72.9	81.1	72.9	64.9	67.2	67.7	50.6	53.2	62.8	63.4
Private Women's Coll.											
Current Oper.	13,216,827	21,680,958	28,306,359	23,664,166	26,776,635	25,386,766	27,444,360	23,171,890	28,440,050	25,880,867	28,011,272
% of Total	31.7	44.6	37.6	35.5	38.	36.2	36.3	40.	50.5	42.5	47.
Capital	28,370,661	26,823,153	46,839,936	43,000,580	43,658,306	44,621,386	48,567,389	35,106,839	28,138,380	35,086,895	32,605,208
% of Total	68.3	55.4	62.4	64.5	62.	63.8	63.7	60.	49.5	57.5	53.
Private Coed Coll.											
Current Oper.	68,288,109	86,987,129	109,058,334	111,780,063	131,375,035	130,898,207	121,615,786	155,137,080	170,610,216	195,723,482	198,244,873
% of Total	38.8	41.4	35.8	40.3	42.	43.6	35.5	46.9	49.4	47.1	44.8
Capital	107,339,943	123,206,433	195,161,234	165,051,380	180,050,487	156,961,027	221,792,273	175,890,158	174,673,287	219,668,839	244,203,190
% of Total	61.2	58.6	64.2	59.7	58.	56.4	64.5	53.1	50.6	52.9	55.2
Public Institutions											
Current Oper.	89,941,880	98,087,036	135,252,884	145,201,765	157,635,807	179,678,762	177,608,077	203,694,446	235,869,574	244,318,544	260,088,828
% of Total	73.3	70.1	63.7	62.	67.5	68.9	67.6	73.1	71.6	69.1	68.1
Capital	32,672,745	41,880,260	68,081,898	89,086,330	75,886,740	73,036,488	85,153,285	75,728,626	94,062,781	110,030,344	122,317,480
% of Total	26.7	29.9	36.3	38.	32.5	31.1	32.4	26.9	28.4	30.9	31.9
Total Operating	363,450,230	383,348,038	474,487,038	517,752,036	555,865,066	604,132,385	654,165,522	735,258,580	753,046,348	819,638,889	863,338,833
Total Capital	380,887,456	426,774,467	644,871,440	563,673,092	572,506,183	619,086,839	700,665,888	615,888,562	596,780,230	751,360,706	733,948,322

a Current operating gifts plus capital gifts = 100% for each type of institution.

Source: CFAE Reports, 1960 - 1973.

Table E-5

Summary of Total Educational and General Gifts and Grants Plus Endowment for the Sample of 47 Selected Private Colleges 1969-1973

	1969		1970		1971		1972		1973	
	Gifts	Gifts + Endowment	Gifts	Gifts + Endowment	Gifts	Gifts + Endowment	Gifts	Gifts + Endowment	Gifts	Gifts + Endowment
Increasing	$11,576,262	$24,790,584	$12,609,511	$27,592,207	$14,567,646	$32,254,631	$14,490,145	$31,852,377	$17,867,930	$31,484,926
Decreasing	3,779,755	9,668,366	4,046,130	10,265,777	4,121,075	11,198,714	4,205,504	12,190,834	3,248,968	10,181,923
No Trend	8,543,567	15,346,754	7,911,924	14,870,079	8,185,345	14,957,725	7,992,815	16,491,732	8,188,536	17,067,834
Total	23,899,584	49,805,704	24,567,565	52,728,063	26,894,066	58,411,070	26,688,464	60,534,943	29,305,434	58,735,683

Total by Year	Aggregate Gifts	Aggregate Gifts + End.	Gifts as % of Total Exp.	Gifts + End. as % of Total Exp.	Per Institute Gifts	Per Institute Gifts + End.
1969	$23,899,584	$49,805,704	9.26%	19.29%	$ 508,502	$ 1,059,696
1970	24,567,565	52,728,063	8.67	18.61	522,714	1,121,874
1971	26,894,066	58,411,070	8.63	18.75	572,214	1,242,789
1972	26,688,464	60,534,943	8.15	18.49	567,840	1,287,978
1973	29,305,434	58,735,683	9.18	18.39	623,520	1,249,695

Year	Total Expenditures	Per Institute Expenditures	Per Inst. Gifts + End. Inc. as % of Per Inst. Exp.
1969	$258,199,053	$ 5,493,597	19.3%
1970	283,290,700	6,027,462	18.6
1971	311,488,821	6,627,422	18.8
1972	327,418,923	6,966,360	18.5
1973	319,383,098	6,795,385	18.4

Table E-6

Summary of Total Educational and General Gifts and Grants Plus Endowment for the Sample of 125 Private Colleges, 1969-1972

	1969		1970		1971		1972	
	Gifts	Gifts + Endowment	Gifts	Gifts + Endowment	Gifts	Gifts + Endowment	Gifts	Gifts + Endowment
Increasing	$19,911,030	$29,929,250	$22,299,069	$32,502,637	$27,516,595	$38,027,004	$32,205,660	$43,219,461
Decreasing	9,590,590	11,674,408	9,756,460	11,883,191	8,398,741	10,780,515	7,211,340	10,146,678
No Trend	7,590,490	11,446,908	9,039,542	13,671,009	9,273,389	13,484,904	9,013,279	13,722,982
Total	37,092,110	53,050,566	41,095,071	58,056,837	45,188,725	62,292,423	48,430,279	67,089,121

Total by Year	Aggregate Gifts	Aggregate Gifts + End.	Gifts as % of Total Exp.	Gifts + End. as % of Total Exp.	Per Institute Gifts	Per Institute Gifts + End.	Per Inst. Gifts as % of Total Exp.	Per Inst. Gifts + End. as % of Total Exp.
1969	$37,092,110	$53,050,566	8.73%	12.49%	$ 296,737	$ 424,405	8.73%	12.49%
1970	41,095,070	58,056,837	8.67	12.25	328,761	464,455	8.67	12.25
1971	45,188,725	62,292,423	8.78	12.11	361,510	498,339	8.78	12.11
1972	48,430,279	67,089,121	8.84	12.24	387,443	536,713	8.84	12.24

	Total Expenditures	Per Institute Expenditures	Per Inst. Gifts + End. Inc. as % of Per Inst. Exp.
1969	$424,674,576	$ 3,397,397	12.5%
1970	473,843,329	3,790,747	12.3
1971	514,478,719	4,115,830	12.1
1972	548,096,950	4,384,776	12.2

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Many individuals have helped to make this a better study than it would have been without their assistance. To mention them all would make a very long list. The author wishes to express his gratitude to each colleague and friendly critic for taking the time to steer him away from a variety of pitfalls and errors. Of course, in the final analysis, the author shoulders the blame for any remaining inaccuracies and weaknesses. The following individuals have been associated directly with the preparation and completion of this report: Timothy McGee, Robert M. Haxton, Lillian Bamberger, Mary Lou Birk, Evelyn Blake, Debra Cornelius, Karolyn Howman, Mimi Moore, and Lucy Schmidt. The author expresses his personal thanks for their diligence and help.

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Footnotes

1. *Voluntary Support of Education, 1972-73,* Council for Financial Aid to Education, Division of Research, New York, 1974, p. 3.

2. National Commission on the Financing of Postsecondary Education (NCFPSE), 1973-74. See its report: *Financing Postsecondary Education in the United States* (Washington, D.C.: U.S. Government Printing Office, 1974), p. 19.

3. An attempt was made to select from the HEGIS finance file all the institutions who report their faculty salaries to the American Association of University Professors (AAUP). Henceforth, this sample will be referred to as: HEGIS-NCFPSE-AAUP Sample. In addition, there is the HEGIS Standard Sample and the HEGIS-Carnegie Commission-NCFPSE Sample. The difference between the last two lies in the degree of disaggregation into subgroups of institutions. HEGIS Standard differentiates between universities, four-year institutions, and two-year colleges. The HEGIS-Carnegie Commission-NCFPSE Sample uses the much more detailed subgroupings proposed by the Carnegie Commission, allowing among other things more refined group comparisons (for a complete listing, see Appendix A).

4. Until recently, the HEGIS data were not generally available for such pinpoint analysis. New EDUSTAT should remedy this situation. This study does not yet go all the way in that total income and total expenditures for only gift income reporting institutions could not be isolated. However, the data on gifts and endowment income are for reporting institutions only and the "mean" gift and endowment income values reported contain no other institutions.

5. Although the sample represents less than half of the institutions reporting to HEGIS, we lose, at the most, 25 percent of the colleges and universities that report philanthropic income; in other words, the sample is very heavily weighted in favor of (and thus is more representative of) institutions that have current gift and endowment income.

6. Bureau of Economic Analysis, U.S. Department of Commerce, unpublished; Kent Halstead, "Higher Education Price Indexes," Appendix B in *Statewide Planning in Higher Education,* U.S. Department of Health, Education and Welfare (Washington, D.C.: U.S. Government Printing Office,; June O'Neill, *Resource Use in Higher Education,* Carnegie Commission on Higher Education, 1971 (series updated from 1968-69 by Charles J. Andersen, ACE); G. Richard Wynn, *Inflation Indicators in Liberal Arts Colleges,* Ph.D. Dissertation (Ann Arbor: University of Michigan, 1974), p. 161; National Science Foundation, *A Price Index for Deflation of Academic R & D Expenditures,* Report NSF 72-310, 1972; George W. Baughman, *A Proposed Price Index for Statewide Budget Models,* Memorandum, The Ohio State University and Ohio Board of Regents (Columbus, Ohio, May 1974).

7. William W. Jellema, *The Red and the Black* (Washington, D.C.: Association of American Colleges, 1971) and the up-date, *From Red to Black?* (San Francisco: Jossey-Bass Publishers, 1973).

8. NCFPSE, op. cit., chapter 5, pp. 212-215. This is almost $115 million to $200 million of new "cost" per year.

9. Hans H. Jenny and G. Richard Wynn, *The Turning Point* (Wooster, Ohio: The College of Wooster, 1972).

10. Carnegie Commission on Higher Education, *Tuition: A Supplemental Statement to the Report of the Carnegie Commission on Higher Education on 'Who Pays? Who Benefits? Who Should Pay?* (New York: McGraw Hill, 1973); *Priorities for Action: Final Report of the Carnegie Commission on Higher Education* (New York: McGraw Hill, 1973); *The Management and Financing of Colleges* (New York: Committee for Economic Development, 1973); Howard R. Bowen and Paul Servelle, *Who Benefits From Higher Education and Who Should Pay?* ERIC Report No. 5 (Washington, D.C.: American Association for Higher Education, 1972); NCFPSE.

11. NCFPSE, op. cit., pp. 202-209.

12. NCFPSE, ibid., pp. 199-202.

13. For similar findings see NCFPSE, ibid., pp. 210-212.

During the preceding elaboration we have attempted to remain reasonably dignified. At this point, maybe it is permissible to relate the observation made by one of those who studied the financial reports. It went something like this: "If this is the way they report their financial condition, they deserve to be in financial trouble; if they cannot explain to others how well or badly off they are, how can *they* know what state they are in?"

14. See Appendix C for listings.

15. Hans H. Jenny and G. Richard Wynn, *The Golden Years: A Study of Income and Expenditure Growth and Distribution of 48 Private Four-Year Liberal Arts Colleges, 1960-1968* (Wooster, Ohio: The College of Wooster, 1970) and *The Turning Point*, op. cit.

PHILANTHROPY, PUBLIC NEEDS, AND NONPUBLIC SCHOOLS

Donald A. Erickson†

Introduction

Since the most important function of nonpublic schools seems to be one of providing alternatives to public instruction, these schools are seldom described as providing a vital conduit for philanthropy.[1] Upon a moment's reflection, however, it is obvious that the flow of private contributions into education would be seriously impeded if the nation's nonpublic schools were to close their doors: The equivalent of at least $1.12 billion per year from private sources is involved in their operation.

Direct gifts to nonpublic elementary and secondary schools (largely from individuals) total well over $174 million annually.[2] Another $537 million or more per year is contributed indirectly, through donations (often earmarked for schools) to religious institutions.[3] One aspect of philanthropic support that is often overlooked is the creative ability and energy of teachers and administrators who work for salaries far below the going rate and of patrons and friends who provide assistance at no cost. (This has been most pronounced in Catholic schools which rely heavily on the contributed services of nuns, priests, and brothers.) If we ignore the assistance of patrons and friends and consider only the contributions of teachers and administrators, this "hidden" philanthropy in public schools totals, at the very least, an estimated $410 million annually.[4]

Thus, in gauging the dimensions of philanthropy in nonpublic schools we have the following dollar amounts: $174 million in direct gifts, $537 million in indirect philanthropy, and $410 million in "hidden" philanthropy. These figures, probably serious underestimates, total an annual $1.12 billion. By comparison, *Giving U.S.A.* reports that all gifts to *public and private* educational institutions below the college level totaled $1.67 billion in 1973.[5] Even allowing for the fact that *Giving U.S.A.* defined philanthropy more narrowly than we have (not including donations channelled through churches, for example), it is obvious that nonpublic schools are a significant recipient of private philanthropy.

The magnitude and nature of philanthropy in nonpublic schools differs among school types and geographic regions. For example, in the largely nonsectarian schools affiliated with the National Association of Independent Schools, philanthropy is used mainly to provide endowments, physical facilities, and scholarships for students who could not otherwise afford to attend,[6] while the major religiously affiliated schools rely on philanthropy for a substantial portion of their operating costs. In Dubuque, Iowa, Green Bay, Wisconsin, and Lewiston, Maine, where according to the 1960 census the majority of the elementary school children attended nonpublic schools, the flow of philanthropy to the nonpublic schools would have had far greater social impact than in Salt Lake City, Utah, Texarkana, Texas, and Tuscaloosa, Alabama, where less than 4 percent of the elementary school students were in nonpublic schools.[7]

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I

PUBLIC BENEFITS

The objection can be raised that much of the largess referred to in the preceding pages should not be thought of as philanthropy since those who provide it often have in mind certain special interests (such as the promotion of a particular religious view) rather than the public interest. From the perspective of the giver, however, the promotion of a favored ideology or life style may be equated with promotion of the public interest. Furthermore, efforts to advance the general weal have so often been revealed in retrospect to be biased in favor of a particular culture, socioeconomic strata, or occupational group that some scholars dismiss the concept of "the public interest" as too misleading to be useful.[8] If some generally agreed upon test of "pure" concern for "the public interest" could be devised, the evidence suggests that little philanthropy could pass muster.[9] For the purposes of public policy, it seems better, then, to analyze the results of philanthropic giving rather than to worry about the motives it reflects.

Fortunately, the Filer Commission's "Outline of Issues" was not concerned so much with philanthropic intent as it was with the social consequences of philanthropy. The Commission sought to "assess the value to our nation of the private philanthropic initiative in defining and contributing to the public good, to consider the appropriate relationship between government and private philanthropy, and to balance the benefits of private initiative in seeking to improve and enhance the quality of our lives."

In the light of that posture, fees paid by patrons in elementary and secondary schools (though not reflected in our estimates) assume much of the color of philanthropy. A parent may only consider an offspring's welfare when making tuition payments, but society will benefit nevertheless. State intervention in public and private school affairs, through mechanisms of finance, administration, and regulation, is in large measure based on the assumption that society as a whole reaps extensive benefits whenever a child is properly educated.[10] The educated person presumably is a better citizen – more adequately prepared to earn a livelihood, to contribute to economic growth and cultural enrichment, to participate in political affairs, and to live harmoniously with others. Available evidence strongly suggests that most nonpublic schools are at least as effective as public schools in promoting good citizenship – regardless of the particular motives of the patrons.[11] Knowingly or not, these patrons are purchasing public as well as private benefits, engaging, as it were, in "unintentional" philanthropy.

If we accept that both publicly funded and privately funded schools are capable of preparing the young for good citizenship, would the society as a whole lose anything if nonpublic schools and the philanthropy they represent were eliminated?

The body politic would be deprived of important savings. The public (taxpayer) burden of funding essential schooling is obviously alleviated when many children are educated at private expense, through gifts and fees. A more important consideration is that numerous cities, creaking under municipal overburden, might find it impossible to extract adequate funds for education from their already overloaded systems if nonpublic schools should close.[12] As a consequence, the educational opportunities of disadvantaged children might be compromised even more than at present.

It would seem that a mixed system of publicly and privately funded schools is more likely to respond to the differing demands of students and their families and to experiment with new procedures than is a system funded entirely by public tax monies.[13] Until recently, little effort has been made in tax-supported schools to allocate money to the schooling of youngsters who need different quantities and types of instruction; the programs purchased by public funds have been strikingly homogeneous.[14] Two obvious results have been educational ineffectiveness and fiscal waste.

There has been some encouraging response to the demand for improvement: Better mechanisms have been devised for researching pressing educational problems;[15] and public school districts are experimenting with decentralization, various types of "community control," and "alternative schools," all of which could permit a more flexible response to the different needs and aspirations of students and their families.[16] But the improvement is slow and spasmodic. Because of political and bureaucratic constraints, public schools are prevented from offering the range of programs that both educators and many clients may desire.[17] Perhaps we should capitalize on imagination, sensitivity, and adaptability wherever they can be found, whether in the public or the private sector. Since we cannot claim that education has a scientific basis for matching students to the programs that best suit them, perhaps we should allow more leeway for the matching to be done *intuitively*, by those who are most intimately acquainted with the students; parents and educators who develop strong convictions about programs not provided in the public sector should have the freedom to provide those programs in the private sector. Some of these programs may need to be quite unorthodox. Numerous counter-productive patterns of behavior among teachers and administrators may result largely from traditional organizational structure and thus be essentially immutable until radical surgery occurs.[18] We should not expect, however, that mainstream educators will willingly experiment with innovations that render their hard-earned skills obsolete and threaten their status and security or that public school boards will encourage many dramatic breaks with convention – that is, not while many parents clamor for the methods of the past.[19]

It would be questionable to assert that nonpublic schools as a whole are more experimental and forward-looking than public schools, but at critical points in American history the innovations of a few private trailblazers have had enormous impact. One of the more recent examples is the vastly disproportionate influence of a few independent schools in the development of Advanced Placement Programs and new curricula in mathematics and the physical sciences.[20] And since nonpublic schools are founded to provide the desired options and are patronized by choice, they are probably more closely attuned to the diverse needs of students than are most public schools. Dissatisfied clients are not only free to go elsewhere, but, unlike the situation in public schools, when they leave they take their money with them.[21]

Perhaps the most compelling reasons why citizens should have ready access to private educational options are ethical and humanitarian ones. Inestimable human misery has resulted from the imposition of majoritarian ideologies and life styles in schools. Children from minority groups have often been abused and harassed through the powerful systems of peer influence that schools generate, and even, at times, by teachers, administrators, and school boards. Anguished parents have stood by, helplessly in many cases, while their children have been tormented and often alienated from their homes and communities.

Apparently, no scholar has yet synthesized the evidence concerning this black side of American education. The major aspects of the question seem clear, however. James Coleman has described many ways in which "the adolescent society" in several schools enforced anti-intellectual norms on the most intelligent students.[22] Individuals were rewarded by "popularity, respect, acceptance into a crowd, praise, awe, support and aid" and punished by "isolation, ridicule, exclusion from a crowd, disdain, discouragement, disrespect." In Bernard Rosen's study we also find the marked impact of social pressure: 74 percent of the adolescents from Jewish homes that observed Orthodox behavioral norms became non-observant if their peers were non-observant, in comparison with 83 percent who remained observant if their peers were observant.[23] As for the psychological effect of such struggles, Morris

Rosenberg found a higher level of anxiety among adult Catholics, Protestants, and Jews who had been reared in neighborhoods where they were in the minority than among those who had been members of a neighborhood majority.[24] Researchers seldom find factors in childhood and adolescence that so consistently produce enduring scars.[25]

These results are not surprising if one has read even a few descriptions of the treatment minorities have received in the context of compulsory attendance laws. It matters not whether the victims are gentle Amish, aggressive Jehovah's Witnesses, militant Atheists, pacifists in wartime, impassive American Indians, Catholics in predominantly Protestant schools, Black children in newly integrated Southern schools, poor children in middle-class schools – the list can be extended almost indefinitely.[26] Philanthropy has provided some members of these groups with nonpublic schools hospitable to their values and life styles. A framework of public policy that denies this avenue of escape to many others raises disturbing ethical questions.

II

THE CURRENT PROSPECT

As we move into the future, what will happen to the nation's nonpublic schools and the philanthropy they reflect? Assuming no major change in the current framework of public policy, is this sector of education likely to expand, hold its own, or experience serious decline? The auguries, though mixed, are cause for grave concern.

In 1965 nonpublic schools, then at the zenith of their growth, enrolled about 13 percent of all students at the elementary and secondary level in the United States.[27] Then, suddenly, a serious enrollment decline was evident. In retrospect, it is clear that the Roman Catholic schools and nonsectarian boarding schools were the only groups drastically affected. The Catholic system lost 22.7 percent of its schools and 35.2 percent of its enrollment between 1965-66 and 1973-74.[28] Boarding schools affiliated with the National Association of Independent Schools (NAIS) have diminished in number by 8.8 percent during the past three years (1971 to 1974) and have lost 14.13 percent of their enrollment.[29] Of the other major groups of schools, some have maintained a relatively steady state since 1965-66 and others have experienced significant growth.[30] But since around 80 percent of all nonpublic schools in 1965-66 were Catholic, the Catholic plus the boarding school losses have produced a serious net decline for nonpublic education over the past 10 years.

Between 1965-66 and 1970-71, the estimated total enrollment for nonpublic schools dropped by 12.3 percent (from 6,305,000 to 5,530,000); and its share of the total student population in the United States decreased from 13.6 percent in 1959-60 to 11 percent in 1970-71.[31] By all indications, there has been further absolute and relative deterioration of the system as a whole since 1970-71.

Since the "free-school" movement had scarcely begun in 1965-66, enrollment comparisons based on that year do not reflect free-school trends. While there is disagreement concerning the mortality rate among these schools, it is obviously very high, and scholars who watch the movement closely think it is rapidly losing ground.[32] Most failures among these schools seem largely attributable to the fact that since they neither cater to wealthy patrons nor enjoy church subsidies, they typically operate on a shoestring, relying on contributed services from a small number of people, who find after a very few years that they are unable, physically and financially, to continue their support.[33]

The current situation, then, seems essentially a foreshortened recapitulation of the long history of nonpublic schools in the United States, in the sense that few schools have survived without access to either fairly wealthy clients (though not catering exclusively to them, by any means) or extensive subsidies from religious organizations.

The reason why none but the affluent (with scattered exceptions) have been able to maintain nonpublic schools for long without significant subsidies is not difficult to discern: Our society has seen fit to impose financial penalties, artificial "threshold costs," on patrons of nonpublic schools. For example, a parent who decides to move from a public school costing (through taxation) $1,000 per pupil annually to a nonpublic school costing $1,300 per pupil annually must be prepared to pay not the difference of $300 but the entire $1,300 (unless, of course, some subsidy is available to help make up the difference), for he cannot transfer, along with his child, his child's share of tax money for schools. Of the $1,300 the parent must pay "at the threshold" of the nonpublic school, $1,000 is "artificial," or imposed by government. This situation would not exist in a free market, in which public and nonpublic schools would compete for clients on an equal basis. As a consequence of being required to "pay twice" for his child's schooling, the unsubsidized patron of the nonpublic school will experience an approximately double impact when school costs increase.[34] If public school taxation rises to the maximum point that families of a given level of affluence can afford, nonpublic schools will obviously have been priced far out of the reach of these families. In an era like the present, with recession and inflation occurring simultaneously and producing an actual decline in the purchasing power of most families, the tendency for educational costs to increase as much as five times the general rate of inflation cannot continue without its eventually wiping out virtually all nonpublic schools not patronized by people of wealth – unless, of course, steps are taken to grant relief to the "double-taxed" patrons of these schools.[35]

The growth of several nonpublic school groups in recent years seems attributable to spreading disenchantment among some people with public education.[36] Up to this point, the preferences of many families have been sufficiently strong, when combined with religious subsidies or the help of wealthy patrons, to outweigh the growing financial burden of shifting from public to nonpublic schools.

The decline of Catholic and boarding schools is apparently a function, in the main, of shifting preferences. The most comprehensive analysis of the Catholic school situation suggests that here again we have a foreshortened recapitulation of history, in that the nonpublic schools subsidized substantially by religious groups have generally gone out of business when they could no longer call forth patrons and subsidies on the premise that such schools were essential to the religious well being of the students or to the survival of the ethnic group.[37] Historically and currently, the vitality of various religious schools seems strongly associated (when distinct ethnic motivations are absent) with the religious conservatism of the sponsoring groups. Thus the decline of the Catholic schools seems most fundamentally a consequence of ecumenical phenomena reflected in the Second Vatican Council and more recent developments of a similar thrust in the Catholic church; this may be expected to continue, though perhaps at a reduced rate now that many marginal schools have closed and much belt-tightening has occurred. Similarly, it seems predictable, in the light of a major school of thought in the sociology of religion, that other school-sponsoring church groups in the United States will also be affected by ecumenicity before long.[38] Their schools, too, may then begin to fade away, even if the fiscal handicaps of their patrons do not intensify rapidly, as they have been doing of late.

According to information from the National Association of Independent Schools, recent closures and enrollment losses among boarding schools were partly a function of the cost squeeze but, more fundamentally, at least in the sort run, of shifting preferences. During the late 1960s, particularly, the widespread passion among the young for involvement in social issues made the cloistered environs of boarding schools look unattractive to many. The military school became particularly unpopular in the context of the Vietnam War. There has, apparently, also been a growing aversion to the sexual segregation that many prominent boarding schools have maintained.

Numerous military schools have developed a new character, many single-sex schools have gone co-educational, and NAIS has been very active in helping schools to analyze their problems and adopt more efficient operating procedures. As of the present moment, these measures have apparently been sufficient to arrest the decline that a few years ago had driven leaders of these schools close to panic. But NAIS leaders, like other key people in nonpublic education, observe that the consequences of "stagflation" have not yet been manifest and could turn out to be drastic.

In summary, it is probably accurate to say that current conditions are deadly for nonpublic schools that do not have access to either a fair proportion of relatively wealthy clients or subsidies from religious organizations. Though facing problems and instituting many cost-cutting procedures, schools with substantial subsidization or wealthy clients have been able to hold their own to this point, so long as they have maintained a compelling raison d'etre in the eyes of patrons. In the case of the religiously subsizided schools, this raison d'etre has almost always involved ethnic survival or religious conservatism. There is some reason to suspect that many religiously affiliated schools will gradually lose these compelling ethnic and religious claims and go out of business. Since the "new" motives for nonpublic education are not linked to organized religious groups and thus are not likely to call forth subsidies, they will probably not be realized unless the public policy framework for education is changed. And, within that framework, if current economic trends continue, the vast majority of nonpublic schools seem doomed, the exceptions being schools enjoying the support of the affluent or heavy subsidies from a few remaining religious groups with conservative theologies or strong ethnic emphases.

III

AMELIORATIVE STRATEGIES

Evidence introduced earlier in this paper suggests that philanthropy in nonpublic elementary and secondary schools may help to make the nation's total educational enterprise more efficient fiscally, more effective educationally, and more humane in its impact on students and parents. But forces now clearly at work could virtually obliterate the nonpublic schools, the philanthropy they represent, and the values they promote. In the remaining pages, consideration is given to several possible strategies for maintaining at least the current leeway for private enterprise and philanthropy in schools at the precollegiate levels. The approaches to be discussed fall into two major categories — (1) strategies designed to work within the current broad framework of school finance in the United States and (2) strategies involving major changes in that framework.

Strategy 1: Public Aid

Public aid to nonpublic schools, within the current framework of school finance, is not a promising avenue of action for the foreseeable future. Around 1968 extensive efforts were begun to extend direct, sizable aid to the country's nonpublic schools. The efforts were in part prompted by a decline in nonpublic (mostly Roman Catholic) school enrollments after 1965 and by an associated fiscal crisis, then widely noted and discussed, that was partially attributable to the loss of patrons. This movement was encouraged by a 1968 decision of the Supreme Court, which indicated that the "sacred" and "secular" components of church-sponsored schooling were separable for constitutional purposes and that the state could therefore support the one without supporting the other.[39] Around that same time, several groups of Protestant nonpublic schools finally abandoned entirely the view that they should not seek or accept public aid. In addition the modern Jewish day school movement was coming to flower. New coalitions involving these groups and proponents of Catholic education became feasible. Legislative commissions, active in many parts of the nation during the late 1960s and early 1970s, may have influenced public and legislative opinion by highlighting enrollment declines and financial difficulties in nonpublic schools and by stressing the negative consequences for the public purse if the majority of nonpublic schools should close.

Beginning with a Supreme Court decision in 1971, however, the judiciary closed the door repeatedly and forcefully on several avenues of aid to nonpublic schools.[40] Some peripheral, indirect "child benefit" assistance is still possible in the form of state-financed bus rides, textbooks, psychological services, for example (though even this is under challenge), but no government support likely to make much difference in school budgets seems constitutionally permissible in the near future in church-related schools. The same prohibitions do not apply to nonsectarian schools, but since church-related groups seem disinterested in using their political muscle to obtain subvention they will not enjoy, there is little chance that aid to nonsectarian nonpublic schools will be entertained seriously by the legislatures, given the powerful opposition of public school lobbies and the frequent assumption among liberals that nonsectarian private schools are wealthy, elitist, and "undemocratic."

Within the current framework of school finance, however, two other courses of action that may help to preserve the channel of philanthropy that nonpublic schools represent merit attention.

Strategy 2: Interpret "Charitable Donations" Liberally

The most obvious line of attack for the Filer Commission, discussed at length in other papers prepared for the Commission, is to help maintain the income tax deduction for charitable donations. A further step may be warranted for the benefit of nonpublic schools, since the Internal Revenue Service has often insisted that when school tuitions are significantly lower than per-pupil operating costs, patron donations, whether made directly or through religious institutions, must be regarded as fees in philanthropic guise and thus not deductible.[41] While all of the ramifications of this issue cannot be analyzed here, the point remains that within the discretion legally and ethically available to IRS, some movement toward a more liberal interpretation of "donations" to nonpublic schools could reduce the fiscal pressures discussed earlier. Obviously, if part of the cost of sending children to nonpublic schools can be recouped through tax savings, patrons will be able to survive cost increases that would otherwise cut off nonpublic educational options. IRS should bear in mind one neglected point we have made: Since the parent cannot "purchase" private educational benefits without simultaneously contributing certain benefits to the public, even fees in nonpublic schools assume much of the color of philanthropy. There would be considerable logic, for example, in allowing as charitable donations the deduction of the proportion of school costs that can reasonably be regarded as "purchasing" literacy, employability, political efficacy, and the other commonly envisioned attributes of good citizenship that the public would have to pay for through taxation if the nonpublic schools did not exist.

Strategy 3: Tax Credits or Deductions for Fees

A closely related approach, also compatible with the current broad framework of school finance, is that of permitting tax credits or deductions for fees per se in nonpublic schools, quite apart from any provision for charitable donations. It does not seem likely, however, that future tax deductions or credits for fees at nonpublic schools will survive the scrutiny of the Supreme Court – unless, of course, the religiously affiliated schools comprising the vast preponderance of the movement are excluded.[42] But in the meantime, it would seem advisable to keep at least the *nonsectarian* nonpublic schools alive. In times of severe difficulty, stop-gap, piecemeal measures must often be utilized.

The irony is that while there is apparently unprecedented demand today for educational options, many of which seem virtually impossible to provide in the public sector, and while the citizenry grows more and more receptive to providing tax relief to nonpublic schools, the Supreme Court has been moving in precisely the opposite direction – closing the door ever more tightly on the possibility of aid to nonpublic schools (unless, as we have noted, all religiously affiliated schools are excluded) and thus in effect tightening the system of constraints that has for decades served to ensure that virtually all the nation's youth will be limited to a narrow range of educational offerings in elementary and secondary schools.[43]

The most deadly constitutional impasse with regard to this issue – the Supreme Court's dual insistence that safeguards be introduced to ensure that no money be used for sectarian purposes and that there be no "excessive entanglement" of church and state (something which the safeguards would seem inevitably to entail) – seems dubious from the standpoints of both jurisprudence and economics.[44] On the surface, it might appear that scholarly analyses made known to the Court might cause it to alter its rulings with respect to tax credits, tax deductions, tuition reimbursements, and similar devices to grant relief to hard-pressed patrons of nonpublic schools. But there is a clear possibility that the Court's doctrines on aid (or anything even remotely resembling aid) to religious affiliated schools are, to a significant extent, merely a means to an end – the end being to prevent the religious strife that some eminent scholars think would accompany aid.[45] In some future case, then, if lawyers and economists make the "excessive entanglement" test look utterly inane, the Court may respond, not with new decisions on "parochiaid" but with new doctrines to prop up the old decisions.

For reasons such as these, the future of private enterprise and philanthropy in education may ultimately depend on radical changes in the framework of school finance – changes that remove current fiscal handicaps from privately funded educational options without invoking the specter of aid to religion and political strife along denominational lines.

Strategy 4: Education Vouchers

Voucher policies that would force public and nonpublic schools to compete for clients and money represent a revolutionary change in school finance. Most voucher schemes developed thus far have not been that revolutionary, however. Pale shadows of the classic voucher concept, they involve only *nonpublic* schools. They leave the financing of public schools virtually unaffected. These schemes would run afoul of existing constitutional guidelines if religiously affiliated schools were included.[46] Consequently, they are useful merely as stop-gap measures, adequate only to help keep nonsectarian nonpublic schools alive (assuming some political coalition can be formed to make passage through the legislatures possible).

If vouchers were introduced in all schools, public and nonpublic, however, some scholars think they might stand a good chance constitutionally.[47]

Voucher plans usually embody major egalitarian features and are designed not to perpetuate existing institutions, but to create a milieu in which all schools will be more responsive, a much wider range of educational options will be offered in response to client interests, and the discretion of students and parents will be broadened considerably, especially among the poor.

The concept of education vouchers first attracted wide attention in the United States when Milton Friedman in 1955 published his celebrated essay on the role of government in education.[48] Friedman proposed that all schools, public and private, be funded through vouchers given to parents. Each voucher, representing a child's share of tax funds for education, would be redeemable at any approved school, public or private. Though he saw numerous values in this strategy, Friedman stressed the increased efficiency that, in his view, would result if individual families had much more control over the *amount* of money to be allocated for the formal education of each child (families could add their own money to the vouchers) and over the *type* of instruction purchased. Friedman's scheme would permit communities of interest (as contrasted with communities defined geographically), dispersed among several public school districts or powerless within one, to purchase the services they desire without incurring the artificial threshold costs discussed earlier. Friedman predicted that entrepreneurs would, in response to the varying wishes of families, begin offering a much more extensive range of educational options than is currently available. Were a public or nonpublic school insensitive to students and parents, it would risk a financial setback, for every patron defection would mean a loss of funds.

There were dangers in the plan suggested by Friedman, but since that time scholars have modified the approach in many ways, mainly to minimize or eliminate those dangers. It is difficult to imagine, for example, how the public interest could be damaged through a few small experiments with the elaborately cautious voucher scheme developed by Christopher Jencks and his colleagues at the Center for the Study of Public Policy (CSPP).[49] To guard against the possibility that the wealthy would add money of their own to the vouchers, would segregate themselves in schools that the poor, with voucher funds only, could not afford to attend, and would use their superior purchasing power to cream off superior personnel, facilities, equipment, and materials, the CSPP voucher plan forbids schools participating in the scheme to accept a cent of income beyond what the vouchers provide. To ward off segregation of other kinds, participating schools are required to admit all applicants while spaces are available and to allocate spaces on a lottery basis when applications exceed capacity. An extra "compensatory" allotment is envisioned for poor children to make them welcome in the schools they choose to attend and to increase the chances that the special services they need will be provided. Start-up assistance is available to new schools.

The CSPP voucher plan has no place for private investment or philanthropy, but ironically, if the plan is properly tried out, it may yield information to controvert the major arguments against open-market conditions in education and thus may open the way to arrangements in which philanthropy will play a rejuvenated role. A number of other voucher schemes, embodying features not designed into the CSPP approach, could then (and possibly only then) be tried.

It is widely asserted that parents and students will make unwise choices and thus be seriously victimized if current constraints in education are eliminated or minimized and that an unprecedented tendency toward segregated schools will result, especially along racial and socio-economic lines. Inquiries by E.G. West into the behavior of parents in England and New York State in the years before public schools were available suggests, on the contrary, that most parents will act responsibly and with considerable wisdom.[50] Findings of this type seem somewhat likely to emerge from experiments – if and when they are carried out – with the CSPP voucher plan and similar approaches.

Individuals and groups seeking to encourage experimentation with vouchers should realize, however, that the opposition is intense, widespread, and well organized. A well-financed, national search for public school systems willing to participate in a voucher experiment recently netted only *one* acceptance, and in that instance (the Alum Rock school district at San Jose) the design of the experiment had to be altered drastically before teachers and administrators were willing to proceed.[51] Most of the essential features of the voucher concept (such as competition between public and nonpublic schools) were completely deleted.

On a more encouraging note, it has recently been announced that three New Hampshire towns will participate in a voucher experiment involving public and nonsectarian private schools. In the light of the Alum Rock experience and many other examples of the taming of educational reform, it is hard to be optimistic about how many features of the CSPP plan will survive the trade-offs of the implementation process in New Hampshire. But at the same time, it is difficult to believe that the American people will not eventually insist that a few honest experiments be staged to determine whether education will be harmed or helped by competitive arrangements, particularly if dissatisfaction with the nation's schools intensifies.

Strategy 5: "Private" Options in Public Schools

Since full-blown voucher schemes may not be possible for many years, and perhaps never possible at all, it may be advisable to pursue the same objectives – a much wider range of educational options and much greater consumer choice – along a front less overtly threatening to public educators by encouraging the extension of principles embodied in the "alternative schools" movement in public education. The long-range result could be a radical new framework of school finance.

When middle-class parents, who traditionally have been public education's strongest supporters, established "free schools," public school leaders, perhaps because they sensed erosion in their most reliable support sector, were unusually quick to respond. Scarcely had free schools attracted national attention before public school systems were announcing the creation of their own "alternative schools," and the federal government was offering grants to encourage the trend. In the cities in question, families are permitted to choose the public schools they will patronize, and the "alternative schools" are designed to depart from conventionality in ways that seem important to various community groups.

The alternative schools movement may represent a more fundamental breach of the professional educator's traditional ideology than is generally recognized, for it acknowledges that educators are *not* always the best people to match programs to children and that the remarkably standardized fare of the conventional public school is *not* suitable for everyone. It would not be a radical further step to permit public school children, during part of the school day, to take advantage of important learning opportunities outside public school confines – in museums, galleries, theatres, shops, music studios, industrial concerns, and other public and private premises – and perhaps eventually to allocate some public money to poor children who could not otherwise benefit from these opportunities. At some point it might be sensible to consider schools largely as "home bases," in which the most essential academic subjects would be taught and from which most children would range out to other agencies during several hours of the school day. Matching incentive grants could perhaps be used to encourage parents, partly at their own initiative and expense, to enrich their children's lives during these "optional education" periods. The incentive grants could conceivably be varied, not only in keeping with parental responses but in inverse proportion to family income so as to equalize the educational discretion available to the rich and the poor. Under these conditions, perhaps less difficult to institute than full-blown, full-time voucher schemes, it seems likely that philanthropists would finance many promising educational opportunities outside school walls and that entrepreneurs would soon put their imaginations to work, all to the benefit of the general weal.

Or to envision a slightly different line of development, the elements of the following scenario might be realizable:

Assume that leaders in the Megatown Public School System, which has one of the nation's best collections of publicly supported alternative schools, decide after a few years that this arrangement for extending more discretion to parents and students is an improvement worth enlarging. At that point, a sequence of parental initiatives occurs. First, a group of 25 parents who have been discussing with a few teachers some frontier ideas for education come to the school board with a proposal: They want to experiment with a special curriculum of their own in the social studies, run by teachers of their own choosing, while relying on the school system for the rest of the educational program. The school system works out a "released time" arrangement, permitting the children of these parents to leave the public schools for several hours each week to take part in the privately run social studies project in a nearby store front rented by the parents. The project has unusual features, drawing extensively on the unique skills of people in the community, including representatives of various ethnic groups, politicians, social workers, and psychologists. It is an obvious success, and soon other groups of parents are creating projects of their own, sometimes with assistance from private school people in the area and sometimes on the premises of nearby private schools. In response, the public school system creates a flexible computerized schedule that permits students to combine public school components and private components in many ways. For example, several parents take their children to Europe for two months, along with a teacher, for some on-the-spot studies of another political framework. The school system provides full credit, and the children have no difficulty phasing back into the schools. As the idea of combining public and private components in a student's educational program becomes more and more popular, three facts are evident: the school system is saving a lot of money because it is relieved of the burden of providing a total educational offering for everyone; the students are much more interested and productive than when they spent all their time in classrooms; children from low-income homes are being deprived of many advantages of the new system since they do not have the funds to pursue the above-mentioned alternatives. After discussion, the school board concludes that it should assume some responsibility for financing an obviously superior arrangement, and it begins picking up some of the cost of the private components, though never to the point of funding them beyond the level of comparable programs in the school system itself.

At this point, the arrangement begins to attract widespread attention. It is evaluated by scholars, who laud its flexibility but ask why the principle of making instruction responsive to the needs and interests of individuals is not pursued further. They make some suggestions along that line, and the school system responds. It establishes the world's first "educational marketplace."[52] Physically, the marketplace is something like the "educational park" some scholars and school administrators have advocated. It is a centrally located instructional complex drawing children from numerous, diverse neighborhoods, largely by means of a city's rapid transit network. Toward the center of the complex are science laboratories, libraries, information-retrieval arrangements, multimedia facilities, counseling rooms, data-processing equipment, closed circuit television hookups, computerized instruction, fully equipped industrial arts and business education rooms, and athletic fields. Around the periphery are general-purpose classrooms, seminar rooms, lecture halls, and playgrounds. Surplus capacity is built in to foster flexibility of usage.

Organizationally, the complex is an arrangement for maximizing the range of discretion made conveniently available to students and parents. Groups, profit and nonprofit, that wish to offer educational components may lease the facility they need at a price that covers amortization and upkeep, but as part of the arrangement they must participate in an extensive new information-disseminating system that provides parents and students with an unprecedented wealth of audited information concerning the options available to them.

Financially, the system is modeled after a "Flexible Family Power Equalization" scheme of Professors Coons and Benson.[53] Each child's share of tax funds for education is made available to his parents in the form of a drawing fund, to be used for any system of educational components that can be approved under a set of criteria that protects the interests of the child and the society without infringing unnecessarily on liberty. The drawing fund is greater for poor families than for wealthy families. It is financed from regular taxation and from a special "self-tax" levied on parents of school-age children, the self-tax varying in amount according to the income of the family and the relative amounts they wish to have invested in their children's education. In practice, parents treat the special tax as merely a systematic conduit to facilitate private investment. Formulas for the drawing fund and self-tax are refined from year to year in the light of experience, in such a way as to ensure that approximately equal numbers of poor and wealthy families utilize program components financed at various levels. Thus, the offerings made available to children are independent of family wealth, but heavily dependent on family discretion.

Within the framework of such a system, philanthropists could play several important roles. They could provide developmental funds for ideas that seem highly promising but are not ready to be launched in the educational marketplace. (Government would also make developmental money available, but we can assume, in the light of past history, that the money would be withheld from some promising programs that seemed too unorthodox.) Private philanthropy might also be needed to finance, at least initially, some vital educational components that could not secure approval when they were ready for launching, even under the most flexible criteria the state could devise.

By this time it might be widely thought that no educational arrangement could be called "private" if truly responsive to the people it served, regardless of who financed or administered it, while none should be called "public" that was not. It would also, perhaps, be widely assumed that a truly flexible educational enterprise required the unique strengths of both public and private administration, both public and private funding, both investment and philanthropy. Perhaps by this time, changes in schools and society might permit a new approach to the issue of funding private educational options. For example, a much smaller proportion of nonpublic instructional components might be sponsored by religious institutions, and the spread of ecumenicity might have reduced very drastically the potential for political strife along sectarian lines.

Strategy 6: Fee-Derived Support in Public and Nonpublic Schools

The final, and in some respects the most radical, strategy has been proposed by economist E.G. West in a paper now pending publication.[54] West proposes that, as a way of progressively reducing the "double taxation" effect that patrons of nonpublic schools now experience, some state should at least experiment with the policy of requiring all future taxation increases for public schools to be *levied exclusively on public school patrons.* If educational costs continue to increase at anything approximating the recent rate, this policy would eventuate, before long, in a framework of school finance in which the major burden of public school funding would fall on the users and in which governmentally imposed "artificial threshhold costs" in nonpublic schools would virtually have disappeared. But no "aid" to nonpublic schools would be involved, no political warfare would be triggered over efforts to increase aid, and issues of constitutionality in the light of the First Amendment should not arise.

West's sophisticated and complex analysis cannot be fully examined here. It is suggested that the Filer Commission study West's manuscript first-hand. One observation must be made here, however, and that is that West deals remarkably well with the objections that his proposals seem certain to produce. For instance, West argues that since most people at some point in life have school-age children, a governmental guaranteed loan system to enable parents to purchase education from life-long incomes (rather than incomes received only while their children are in school) would have roughly the same fiscal consequences as a traditional taxation arrangement that draws funds from both users and nonusers of public school services. Perhaps patrons of nonpublic schools could use the loan system without running afoul of the First Amendment's church-state prohibitions. Even if they could not, these patrons would not be paying twice for their children's education – once through public school taxes and once through fees and donations in nonpublic schools.

West also observes that numerous equalization arrangements could be introduced to assist the poor, who despite the alleged merits of current school finance pay for the "free" education of their offspring through taxes that consume vastly greater proportions of their incomes than those of the wealthy.

IV

SUMMARY AND CONCLUSIONS

We have seen that nonpublic schools are a salient channel for philanthropy in precollegiate formal education. As a result of philanthropy (broadly defined) in nonpublic schools, the nation's total collectivity of schools is probably more efficient fiscally, more effective educationally, and more humane in its impact on students and parents than an exclusively public arrangement would be.

There is obvious danger, however, that the nonpublic schools and the philanthropy they represent will experience severe attrition in the future. Rather dramatic declines have already occurred in Catholic schools and largely nonsectarian boarding schools, though much of this loss is attributable to shifting family preferences. The recent history of the free school movement provides stark evidence that current economic conditions are deadly for schools that enjoy neither significant church subsidies nor access to a fair proportion of wealthy clients. Church subsidies to nonpublic schools may be less and less common in the future as the historic reasons for these subsidies gradually disappear. Furthermore, the "double impact" on nonpublic schools of extremely rapid cost increases in education seems certain, if current economic trends continue, to obliterate all nonpublic schools before long, the exceptions being schools enjoying large church subsidies and schools with access to wealthy clients. The writer's personal prediction, based on more than a decade of studying nonpublic schools, is that the movement will become more and more exclusively nonsectarian, less and less subsidized, and increasingly limited to the patronage of an economic elite – unless some shift occurs in the framework of public policy.

Since there is apparently a growing interest in educational options among citizens today, a growing acceptance of the idea of assisting nonpublic schools in some way, and an alarming resistance to increased tax levies for public education, a dramatic shift in the framework of school finance could be possible before long, though the growing power of organized educators is a potent force in the opposite direction.

In the meantime, as the preceding discussion of possible strategies makes clear, there are no easy solutions to the threat now posed to philanthropy channelled through nonpublic schools. Some of the strategies suggested here may serve as stop-gap measures, functional in the short run. Others may be used at some point to capitalize on the emergence of unprecedented readiness for fundamental educational reform in our society.

Table A-1

Number of Schools and Enrollments, Roman Catholic Schools in the U.S., 1965-66 to 1973-74

School Year	Number of Schools				Enrollments			
	Grades 1-8	Grades 9-12	Total (1-12)	% Change in Total	Grades 1-8	Grades 9-12	Total (1-12)	% Change in Total
1965-66	10,879	2,413	13,292	- -	4,492,000	1,082,000	5,574,000	- -
1969-70	9,695	2,076	11,771	11.4%	3,607,000	1,051,000	4,658,000	16.4%
1970-71	9,370	1,980	11,350	3.6	3,356,000	1,008,000	4,364,000	6.3
1971-72	8,982	1,857	10,839	4.5	3,076,000	959,000	4,035,000	7.5
1972-73	8,761	1,773	10,534	2.8	2,871,000	919,000	3,790,000	6.1
1973-74	8,550	1,719	10,269	2.5	2,711,000	903,000	3,614,000	4.6
Difference, 1965-66 and 1973-74	2,329	694	3,023		1,781,000	179,000	1,960,000	
	(21.4%)	(28.8%)	(22.7%)		(39.6%)	(16.5%)	(35.2%)	

Source: National Catholic Education Association

Table A-2

Number of Schools and Enrollments, Boarding Schools Affiliated with the National Association of Independent Schools, 1971-72 to 1973-74

School Year	Number of School Units (K-12)	Percent Change	Enrollments	Percent Change
1971-72	215		47,742	
1972-73	200	-7.0%	41,676	-12.7%
1973-74	196	-2.0	40,995	-1.6
Difference, 1971-72 and 1973-74	19		6,747	
	(8.8%)		(14.13%)	

Source: National Association of Independent Schools

Table A-3

Number of Schools and Enrollments, U.S. Schools Affiliated with National Union of Christian Schools (Associated with Christian Reformed Church), 1960-61 to 1973-74

School Year	Number of School Units (K-12)	Percent Change	Enrollments	Percent Change
1960-61	210		44,010	
1961-62	214	+2.0%	45,405	+3.2%
1962-63	205	4.2	46,712	+2.9
1963-64	203	1.0	48,008	+2.8
1964-65	211	+3.9	48,941	+1.9
1965-66	216	+2.4	50,231	+1.8
1966-67	213	1.4	51,247	+1.9
1967-68	217	+1.9	50,282	1.9
1968-69	218	+0.5	50,637	+0.7
1969-70	222	+1.8	50,301	0.7
1970-71	222	--	51,182	+1.8
1971-72	226	+1.8	51,134	0.1
1972-73	214	5.3	51,571	+0.9
1973-74	211	1.4	51,123	0.9
Difference, 1965-66 and 1973-74	-5		+832	
	(-2.3%)		(+1.7%)	

Source: National Union of Christian Schools

Table A-4

Number of Schools and Enrollments, Schools Affiliated with Lutheran Church-Missouri Synod, 1960-61 to 1973-74

	Number of Schools				Enrollments			
School Year	Grades K-8[a]	Grades 9-12[b]	Total (K-12)	% Change in Total	Grades K-8[a]	Grades 9-12[b]	Total (K-12)	% Change in Total
1960-61	1,284	19	1,303	- -	148,851	8,972	157,823	- -
1965-66	1,364	24	1,388	+6.5%	160,882	11,179	172,061	+9.0%
1970-71	1,207	26	1,233	-11.2	150,613	12,773	163,386	-5.0
1971-72	1,170	27	1,197	-2.9	146,180	12,543	158,723	-2.9
1972-73	1,238	30	1,268	+5.9	151,462	12,604	164,066	+3.4
1973-74	1,236	33	1,269	- -	151,476	13,219	164,695	+0.4
Difference, 1965-66 and 1973-74	-128	+9	-119		-9,406	+2,040	-7,366	
	(-9.4%)	(+37.5%)	(-8.6%)		(-5.8%)	(+18.2%)	(-4.3%)	

Notes: a. U.S. only
b. Region not specified

Source: Ivan Zylstra, National Union of Christian Schools

Table A-5

Number of Schools and Enrollments, Elementary Schools Affiliated with the American Lutheran Church, 1969-70 to 1973-74

School Year	Number of Schools	Percent Change	Enrollments	Percent Change
1969-70	154		9,984	
1970-71	145	-5.8%	9,926	-0.6%
1971-72	141	-2.8	10,284	+3.6
1972-73	158	+12.1	13,850	+34.6
1973-74	168	+6.3	14,614	+5.4
Difference, 1969-70 and 1973-74	+14		+4,630	
	(+9.1%)		(+46.4%)	

Source: American Lutheran Church

Table A-6

Number of Schools and Enrollments, Day Schools Affiliated with the National Association of Independent Schools, 1971-72 to 1973-74

School Year	Number of Schools	Percent Change	Enrollments	Percent Change
1971-72	555		207,430	
1972-73	579	+4.3%	218,674	+5.4%
1973-74	585	+1.0	227,212	+3.9
Difference, 1971-72 and 1973-74	+30		+19,782	
	(+5.4%)		(+9.5%)	

Source: National Association of Independent Schools

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Footnotes

1. The Filer Commission's broad definition of philanthropy, adopted here, reads: "Private philanthropy, . . . more than the donation of funds for worthwhile purposes, . . . is a continuous process by which private individuals sense and define specific needs of society and then commit themselves and join with others to devote creative abilities, energy, and funds to the satisfaction and fulfillment of those needs." See the Commission's "Outline of Issues," as revised to reflect comments made at the Commission meeting, October 31, 1973. The estimate of one student in ten in nonpublic schools is based on Table 175, Bureau of the Census, U.S. Department of Commerce, *Statistical Abstract of the United States: 1971* (Washington, D.C.: U.S. Government Printing Office, 1971), p. 116, allowing for losses since 1971.

2. Because of difficulties encountered in securing data, this estimate reflects only the nonpublic schools affiliated with the Catholic Church, the Lutheran Church-Missouri Synod, The National Union of Christian Schools (affiliated with the Christian Reformed Church), and the National Association of Independent Schools; however, these groups account for more than 90 percent of total enrollment in the nation's nonpublic schools.

The Catholic estimate ($26.6 million) was derived as follows: The officially reported average of $6 per pupil in gifts during 1972-73 (the latest figure available) was applied to the 2,711,000 pupils attending Catholic elementary schools in 1973-74 (the latest enrollment report available) to produce a total of $16,266,000. The estimate for Catholic secondary schools was more difficult to produce, since enrollment figures since 1970-71 have not been broken down by type of school, while church subsidies differ significantly among these types.

The following procedure was used to estimate enrollment by high school type: in 1970-71, there were 460 Roman Catholic parochial (parish-operated) high schools, with an average enrollment of 345, and thus a total enrollment of about 158,700, 15.7 percent of the total Catholic secondary school enrollment of 1,008,463. There were 771 Roman Catholic "private" high schools (schools operated by religious communities of nuns, priests, or brothers, rather than by the parish or diocese), with an average enrollment of 479, and thus a total enrollment of 346,179, or 34.3 percent of the total Roman Catholic secondary school enrollment. The remaining 50 percent of Roman Catholic secondary school students were, obviously, in the other Catholic high schools, the inter-parochial high schools (operated under joint rather than individual parish sponsorship) and diocesan high schools (operated under the direct administration of diocesan officials). For the sake of the present rough estimates, it was assumed that enrollments were distributed among the various high school types in these same proportions in 1973-74.

The 1973-74 enrollment total for Catholic secondary schools breaks down, accordingly, as follows: 451,500 in inter-parochial and diocesan high schools, 141,771 in parochial high schools, and 309,729 in "private" high schools. The official estimate of gifts averaging $7 per pupil in 1972-73 was applied to the 593,271 pupils attending Catholic parish, diocesan, and (the relevant table suggests) inter-parochial high schools in 1973-74 to produce a total of $4,152,897. The estimate of gifts averaging $20 per pupil was applied to the 309,729 pupils attending Catholic "private" high schools in 1973-74 to produce a total of $6,194,580. The estimated grand total of gifts received by all Catholic elementary and secondary schools, consequently, is $26.613,477. The data on which these calculations are based were drawn from: Research Department, National Catholic Educational Association, *A Report on U.S. Catholic Schools: 1970-71* (National Catholic Educational Association, 1971); and the association's *U.S. Catholic Schools: 1973-74* (National Catholic Educational Association, 1974).

Officials of the Lutheran Church-Missouri Synod reported that direct gifts to their schools were negligible.

The estimate for schools associated with the Christian Reformed Church ($6.6 million) was derived by multiplying the total number of students in these schools in 1973-74 (51,123) by the average per-pupil cost in that year at the elementary level ($650). Since the enrollment figures provided to us were not broken down into elementary and secondary levels, we were forced to ignore the higher costs ($850 per pupil) at the high school level, and consequently our estimate is low. We then divided the estimate by 20 percent, the proportion of school expenditures underwritten by gifts. The information on which these calculations are based was provided in a letter, dated September 16,1974, from Ivan E. Zylstra, administrator, School and Government Relations, National Union of Christian Schools, Grand Rapids, Michigan.

The estimate for schools affiliated with the National Association of Independent Schools ($140.7 million) was obtained from *Giving U.S.A. 1974* (New York· American Association of Fund-Raising Counsel, Inc., 1974), p. 27. Since the figure is derived from reports from only 73.2 percent of NAIS schools, it is an underestimate.

Based on these estimates ($26.6 million, $6.6 million, and $140.7 million), the grand total is $173.90 million, which rounds off to $174 million.

3. Here again (cf. note 2, supra) our estimates are based on figures from groups representing the overwhelming preponderance of nonpublic schools in the United States, and thus are entirely adequate for our purposes, but they do not purport to be comprehensive.

Church subsidies in Catholic schools were derived as follows: The totals for Catholic elementary schools were obtained by multiplying the reported average per-pupil church subsidy in 1972-73 ($144) by the number of pupils in Catholic elementary schools in 1973-74 (2,711,000), to obtain a figure of $390,384,000. The number of students in each type of Catholic high school was estimated by means of the procedure described in note 2 above. In the parish, diocesan and (the relevant table suggests) inter-parochial high schools, parish and diocesan subsidies were estimated at $148 per pupil in 1972-73. This figure, applied to the 593,271 pupils attending these schools in 1973-74, yields a total estimate of $87,804,108. In the "private" Catholic high schools, subsidies from churches and religious communities were estimated at $30 per pupil for 1972-73. This figure, applied to the 309,729 pupils estimated to be attending these schools in 1973-74, yields a total of $9,291,870. The grand total of subsidies from parishes, dioceses, and religious communities for Catholic high schools is $97,095,978, and for all Catholic schools, elementary and secondary, is $487,479,978. The data on which these calculations are based were derived from the sources identified in note 2 above.

The estimate for schools affiliated with the Lutheran Church-Missouri Synod was produced by multiplying the average annual per-pupil expenditure ($439) by the number of pupils (151,476) and by dividing the product by the percentage of school costs underwritten through church subsidies (72.56 percent). The resulting figure is $48,250,923. The data on which the calculations are based were provided by Al Senske, secretary of elementary and secondary schools, The Lutheran Church-Missouri Synod, St. Louis, Missouri.

Church subsidies for schools associated with the Christian Reformed church were lumped together with other gifts, in the figures provided to us by Ivan E. Zylstra, administrator, School and Governmental Relations, National Union of Christian Schools, Grand Rapids, Michigan, and thus have been included above, under the category of direct gifts.

Society of Friends officials report, in figures provided through the Council for American Private Education, that their schools received approximately $1 million in church support during 1973-74.

These estimates of indirect support ($487,479,978, $48,250,923, and $1 million) produce a grand total of $536.7 million, but it must be emphasized that the figure is low since numerous groups of religiously affiliated schools did not provide data in this regard.

4. In 1970-71, it was estimated that the contributed services of teachers and administrators in Catholic schools were worth approximately $400 million per year, almost 25 percent of the total revenue required to operate the schools. The estimate was produced by comparing the salaries actually received by these staff members in Catholic schools with the salaries their qualifications would have called for in nearby public schools. *U.S. Catholic Schools: 1973-74*, p. 23.

In the writer's experience, there is a pronounced tendency for well-qualified teachers and administrators in schools operated by the Lutheran Church-Missouri Synod to work for salaries far below what their public school counterparts received, and it seems reasonable to assume that at least one eighth of essential school revenues are derived from these contributions of foregone earnings. On the basis of this assumption, we may estimate that the Missouri Synod Lutheran elementary schools alone derive resources worth at least $9.5 million from this source. Calculations leading to this figure are based on data from Al Senske, secretary of elementary and secondary schools, The Lutheran Church-Missouri Synod, St. Louis, Missouri.

When the Catholic and Lutheran estimates are summed, we obtain a total, for "hidden" philanthropy in nonpublic schools, of $409.5 million. Since we lack data from many other nonpublic schools, this figure is obviously a serious underestimate.

5. American Association of Fund-Raising Counsel, Inc., *Giving U.S.A., 1974*, p. 7.

6. Otto F. Kraushaar, *American Nonpublic Schools: Patterns of Diversity* (Baltimore [illegible] Hopkins University Press, 1972), Chapter 8.

7. Donald A. Erickson and Andrew M. Greeley, "Non-Public Schools and Metropolitanism," in Robert J. Havighurst, ed., *Metropolitanism: Its Challenge to Education*, Sixty-Seventh Yearbook of the National Society for the Study of Education, Part I (1968), pp. 288-289.

8. In their heyday, for example, Horace Mann and other powerful leaders of the movement to establish universal, free, compulsory schooling, largely under public auspices, were widely regarded as towering examples of visionary altruism. In retrospect, as economists and revisionist historians have demonstrated, there is much evidence to suggest that Mann and many others in his tradition were rather pervasively concerned with the occupational status of educators, with the promotion of WASP culture, with the maintenance of existing social structures, and (particularly as time went on) with the ideals of the corporate industrial state. See, for instance: E.G. West, "The Political Economy of American Public School Legislation," *Journal of Law and Economics* 10 (October 1967), pp. 101-128; Merle Curti, *The Social Ideas of American Educators* (Patterson, N.J.: Littlefield, Adams and Company, 1959); Herbert Gintis, "Towards a Political Economy of Education: A Radical Critique of Ivan Illich's *De-Schooling Society*," *Harvard Educational Review* 42 (February 1972), pp. 70-96; Joel Spring, *Education and the Rise of the Corporate State* (Boston: Beacon Press, 1974).

Regarding the utility of the concept, "the public interest," see Glendon Schubert, *The Public Interest* (Glencoe, Ill.: Free Press of Glencoe, 1960), pp. 223-224; and Virginia Held, *The Public Interest and Individual Interests* (New York, N.Y.: Basic Books, 1970).

9. Reference is made to the evidence in note 8, *supra*.

10. In reviewing compulsory attendance laws, for example, Newton Edwards observes: "in requiring attendance, . . . the legislature does not confer a benefit upon the parent, or primarily upon the child; it is only doing that which the well-being and safety of the state itself requires." *The Courts and The Public Schools*, 3rd ed. (Chicago: University of Chicago Press, 1971), p. 519.; Cf. Milton Friedman, *Capitalism and Freedom* (Chicago: Phoenix Books, University of Chicago Press, 1963), Chapter 6.; and J. Ronnie Davis, "The Social and Economic Externalities of Education," in Roe L. Johns *et al., eds., Economic Factors Affecting the Financing of Education* (Gainsville, Fla.: National Educational Finance Project, 1970), pp. 59-81.

11. George F. Madaus and Roger Linnan, "The Outcome of Catholic Education?" *School Review* 81 (February 1973), pp. 207-232; Andrew M. Greeley and Peter H. Rossi, *The Education of Catholic Americans* (Chicago: Aldine Publishing Company, 1966); Donald A. Erickson, "Contradictory Studies of Parochial Schooling: An Essay Review," *School Review* 75 (Winter 1967), pp. 425-436.

12. As many writers on school finance emphasize, the local property tax, the prime source of funds for public schools, is particularly vulnerable to citizen resentment that may arise from a wide variety of reasons. Also, citizens without children in school are often reluctant to see school taxes raised as much as parents of school children would wish. For these reasons and others, it appears that taxation mechanisms for schools are like a constricted pipeline, inadequate to carry the funds that many citizens would willingly invest in schools. Numerous economists argue that levels of funding in schools will be more responsive to consumer demand if the taxation pipeline is supplemented by a pipeline of private investment and philanthropy. Even under current conditions, with about 10 percent of the nation's students in nonpublic elementary and secondary schools, our system of finance probably blocks millions of dollars that citizens would be glad to allocate to schools. Consider the following examples:

Joe Smith, who thinks instruction in the local public high school is mediocre, is willing to spend $200 of his discretionary income to obtain better tutelage for his child. He finds, however, that he cannot purchase the right to have his youngster instructed by the best teachers in the school, no matter how much he is willing to spend. In fact, the school will provide no specific instructional advantages at all for an outlay of $200. Smith decides to use the $200 for other purposes, and his youngster takes the bad teaching with the good, like every other student in the school. A year later, Smith tries again. This time he attempts to improve instruction in the public high school by persuading fellow voters to approve a higher tax levy (approximately $200 per household per year) for education. But property owners with no children in the schools campaign successfully against the increase. For the second time, Smith's would-be contribution of $200 is withheld. Discouraged with his community, Smith looks for a better one. Ten miles away is a suburb with more reputable public schools. Smith's property taxes would be approximately $200 more than at present, largely because the schools in the nearby suburb are more liberally supported. Smith's plans to move are soon aborted, however, by the realization that his commuting costs and mortgage payments will be higher and an outlay of at least $1,000 will be required to move his household goods. Chagrined, Smith stays put, his educational wishes thwarted and his would-be contribution of $200 once again deflected. Later still, investigating private alternatives, Smith finds an independent college-preparatory school that provides apparently superior instruction. Initially, in his naiveté, he thinks he has solved his problem, for tuition in the independent school is $1,800, only $200 more than the level of per-pupil support in the public high school. Smith has $200 available to make up the difference. He learns, however, that he cannot simply use the $200 to switch from a $1,600 public school to a $1,800 private school. Rather, when he opts out of the public school system, he must forfeit the child's share (roughly, $1,600) of tax funds for education. Furthermore, he will not be permitted to recoup any losses by being excused from public school taxation. In effect, government has decreed that the threshold cost of moving from the public to the private school is not $200 but $1,800. Since Smith cannot afford the $1,800, the $200 is withheld from education once again.

As Milton Friedman observes, these impediments to parental discretion are especially onerous for the poor, who are particularly disadvantaged in education as compared with other areas of life. By sacrificing certain advantages, a low-income family may often save enough money to buy the same automobile as a family in a high-income suburb. Similar possibilities apply to clothing, furniture, books, and many other goods and services. But a low-income family willing to extend itself to obtain superior instruction is frustrated in two particulars: both nonpublic schools and well-financed public schools tend to be inaccessible geographically, and the particularly impoverished, who most need superior educational programs, find that the occasional private school within reasonable distance is out of sight financially, since school costs are rising faster than incomes and a declining proportion of nonpublic schools are subsidized through churches.

Now visualize Jack Smart, a wealthy man in Smith's community. Smart wants to contribute $10,000 a year toward improving the educational opportunities of poor children in the area. If he is like most individual philanthropists, he will not give the money to the public school system, perhaps because he thinks the system is too large and bureaucratic to be influenced by that amount of money. When he considers the local independent school, he sees that an annual threshhold cost of $1,800 virtually guarantees a student body drawn largely from well-to-do homes, and his egalitarian convictions are offended. Smart considers providing a few scholarships for poor children, but worries because the independent school has no special programs for students with learning problems. School leaders say they cannot afford to institute such a program for anything like $10,000 a year. Smart decides, in disgust, that American education is not designed to use donations of that magnitude productively. He gives the money to a local museum, which quickly adds several appealing items to its collection. Gratified by the visible, lasting response, Smart becomes a regular contributor to the museum and regales his wealthy friends with stories of how inflexible education has become. Several of them decide to support museums instead of schools.

For relevant discussions and evidence, see: Milton Friedman, "The Role of Government in Education," in Robert A. Solo, *Economics and the Public Interest* (New Brunswick: Rutgers University Press, 1955), pp. 123-53; Edward F. Renshaw, "Meeting Educational Revenue Requirements in the Decade Ahead," *American School Board Journal* 141 (July 1960), pp. 17,29,32; Charles S. Benson, *The Economics of Public Education* (Boston: Houghton Mifflin, 1961), pp. 325-328; Mark V. Pauly, "Mixed Public and Private Financing of Education: Efficiency and Feasibility," *American Economic Review* 57 (March 1967), pp. 120-130. Miner found a generally negative relationship between percent of children in nonpublic schools in a city and *per capita* expenditures for education, and in McMahon's study the proportion of children attending nonpublic schools was negatively associated with an index of financial effort in public education. But neither of these studies examined the compensating effect of educating many children with money provided through the "private pipeline." See Jerry Miner, *Social and Economic Factors in Spending for Public Education* (Syracuse, N.Y.: Syracuse University Press, 1962), pp. 55,59; and Walter W. McMahon, "The Determinants of Public Expenditure: An Econometric Analysis of the Demand for Public Education"; unpublished paper as reported in Miner, *Social and Economic Factors*, pp. 55-56,59. But the effects of educating many children at private expense show up in Miner's study and one by James and his colleagues when generally positive relationships are found between proportion of students in nonpublic schools and *per-pupil* expenditures in public education. See Miner, *Social and Economic Factors*, pp. 55,59; and Walter I. Garms, Jr., "Ability and Demand Determinants of Educational Expenditures in Large Cities: A Preliminary Report," paper presented at National Conference of Professors of Educational Administration, Humboldt State College, Arcata, California, August 24, 1965. Alkin, in an inadequately controlled study, discovered that higher proportions of Catholics in a community (and presumably, higher percentages of children in nonpublic schools) were associated with increased expenditures *per pupil* in public schools. Marvin C. Alkin, "Religious Factors in the Determination of Educational Expenditures," *Educational Administration Quarterly* 2 (Spring 1966), pp. 123-132. On the other hand, Shapiro and Renshaw found no consistent relationship between per-pupil expenditures for public schools and percentages of students in nonpublic schools. Sherman Shapiro, "Some Socio-Economic Determinants of Expenditures for Education," *Comparative Education* (October 1962), pp. 160-166; Renshaw, "Meeting Educational Revenue Requirements."

13. Many scholars have attributed lack of adaptability in public schools to the fact that most families have no alternative available. If so, the situation would be much worse if *no* families had nonpublic schools available to them as an alternative. It has also been argued, with historical evidence to support the contention, than when nonpublic schools develop demonstrably superior approaches to instruction, the public schools are soon forced, through citizen insistence, to adopt those approaches. See, for example: David Friedman, "Toward a Competitive School System" (undated monograph published by Center for Independent Education, Wichita, Kansas); John E. Coons, Stephen D. Sugarman, and William H. Clune III, "Reslicing the School Pie," *Teachers College Record* 72 (May 1971), pp. 485-493; Donald A. Erickson, "The Trailblazer in an Age of R & D," *School Review* 81 (February 1973), pp. 155-174; Theodore R. Sizer, "The Case for a Free Market," *Compact* (April 1969), pp. 8-12; Christopher Jencks, "Education Vouchers," *New Republic*, July 4, 1970; Milton Friedman, "The Role of Government in Education," op. cit.

14. This striking homogeneity was the topic of a presidential address at the 1972 annual meeting of the American Educational Research Association. Robert Glaser, "Individuals and Learning: The New Aptitudes," *Educational Researcher* 1 (June 1972), pp. 5-13. The failure of the massive "Coleman study" to discover strategies in schools that seemed to have a clear, consistent relationship to student learning has been attributed to the fact that very little diversity was represented in Coleman's national sample of schools. Eric A. Hanushek and John F. Kain, "On the Value of Equality of Educational Opportunity as a Guide to Public Policy," in Frederick Mosteller and Daniel P. Moynihan, eds., *On Equality of Educational Opportunity* (New York: Random House, 1972), pp. 116-145.

15. For example, the federally sponsored Regional Educational Laboratories and Research and Development Centers are launching more concerted attacks on educational problems than have been at all typical in the past. Stephen K. Bailey, "Significance of the Federal Investment in Educational R & D," *Journal of Research and Development in Education* 2 (Summer 1969), p. 31; Francis S. Chase, "R and D in the Remodeling of Education," *Phi Delta Kappan* 51 (February 1970), p. 300; Ernest R. Hilgard, "The Translation of Educational Research and Development into Action," *Educational Researcher* 1 (July 1972), pp. 18-21.

16. Allan C. Ornstein, "Administrative/Community Organization of Metropolitan Schools," *Phi Delta Kappan* 54 (June 1973), pp. 668-674; Henry M. Levin, ed., *Community Control of Schools* (Washington, D.C.: the Brookings Institution, 1970); Mario D. Fantini, *Public Schools of Choice* (New York: Random House, 1971).

17. There is voluminous literature indicating that public schools in various societies and at different points in time are remarkably accurate reflections of the values of the dominant culture. See, for example: Jules Henry, *Culture Against Man* (New York: Random House, 1963); and Newton Edwards and Herman G. Richey, *The School in the American Social Order*, 2d ed. (Boston: Houghton Mifflin, 1963).

18. For an excellent discussion of how the behavior of school personnel may be determined by the structure of the school, see Dan C. Lortie, "The Teacher and Team Teaching: Suggestions

for Long-Range Research," in Judson T. Shaplin and Henry F. Olds, Jr., eds., *Team Teaching* (New York: Harper and Row, 1964), pp. 270-305.

19. Examples can be found in almost any daily newspaper at the present time of the difficulties school boards encounter when they overstep the boundaries of majority opinion in their communities. What one segment of the community wants for its children may be enough to throw the majority into an uproar. For a classic example, see Joseph F. Maloney, "*The Lonesome Train*" in Levittown, "The Inter-University Case Program," No. 39 (University, Ala.: University of Alabama Press, 1958).

20. Roy A. Larmee, "The Relationship between Certain National Movements in Education and Selected Independent Secondary Schools," Ph. D. dissertation (University of Chicago, 1962); and his "National Movements and Independent Schools," in Roald F. Campbell and Robert A. Bunnell, eds., *Nationalizing Influences on Secondary Education* (Chicago: Midwest Administration Center, University of Chicago, 1963), pp. 105-118.

21. One of the major concepts behind the recent work on education vouchers is that public schools will be much more responsive to parents if parents are free to switch schools and take with them their child's share of tax funds for education. See the articles listed under note 13, supra.

22. James S. Coleman, *The Adolescent Society: The Social Life of the Teenager and Its Impact on Education* (Glencoe, Ill.: Free Press, 1961).

23. Bernard C. Rosen, "Conflicting Group Membership: A Study of Parent-Peer Cross-Pressures," *American Sociological Review* 20 (April 1955), pp. 155-161.

24. Morris Rosenberg, "The Dissonant Religious Context and Emotional Disturbance," in Louis Schneider, ed., *Religion, Culture, and Society: A Reader in the Sociology of Religion* (New York: John Wiley and Sons, 1964), pp. 549-559.

25. Psychologists seem generally to overestimate the long-term effects of negative influences during childhood. In one study, psychologists turned out to be wrong in their predictions about two thirds of the time, and were repeatedly surprised to discover how well people had "bounced back" from experiences early in life that researchers thought would produce permanent damage. Joan W. Macfarlane, "Perspectives on Personality Consistency and Change from the Guidance Study," *Vita Humana* 7 (1964), pp. 115-126.

26. Since the literature is extensive, only a few examples can be cited here: Donald A. Erickson, "The 'Plain People' and American Democracy," *Commentary* 45 (January 1968), pp. 36-44; David R. Manwaring, *Render Unto Caesar: The Flag-Salute Controversy* (Chicago: University of Chicago Press, 1962); Rosalie H. Wax, "The Warrior Dropouts," *Transaction* 4 (May 1967), pp. 40-46; Leo Pfeffer, *Church, State and Freedom*, rev. ed., (Boston: Beacon Press, 1967), Chapter 9; August B. Hollingshead, *Elmtown's Youth: The Impact of Social Classes on Adolescents* (New York: John Wiley and Sons, 1949).

27. Kraushaar, *American Nonpublic Schools*, op. cit., p. 14. Though 1965-66 marked the high point of enrollments, nonpublic schools enrolled a higher *proportion* of the nation's schoolchildren (13.6 percent) in 1959-60. The declining proportion was masked by the fact that in the intervening years public school enrollments were growing more quickly than those in nonpublic schools.

28. See Table 1 in the Appendix to this paper.

29. See Table 2 in the Appendix to this paper.

30. Schools associated with the Christian Reformed Church were 5 fewer in number in 1973-74 than in 1965-66 (a decline of only 2.3 percent), while their enrollment loss was even less (1.7 percent), according to data in Table 3 in the Appendix to this paper. As Table 4 in the Appendix shows, the number of schools affiliated with the Lutheran Church-Missouri Synod declined by 8.6 percent between 1965-66 and 1973-74, while enrollments declined by only 4.3 percent. Data in Table 5 in the Appendix indicate a growth of 9.1 percent in number of schools

and of 46.4 percent in enrollment in the 4 years between 1969-70 and 1973-74 for schools affiliated with the American Lutheran Church.

For the National Association of Christian Schools, we secured information by telephone from Darla Dresdow, director of Individual Services to indicate that the number of member schools increased from 228 in 1965-66 to 268 in 1972-73 (an increase of 40 schools, or 17.5 percent), while enrollments increased from 32,003 to 53,144 (an increase of 21,141, or 66.1 percent) during the same period. In a similar conversation with Garlan Millet, associate director, Department of Education, World Headquarters, General Conference of Seventh-Day Adventists, we were informed that Adventist school enrollments in the U.S. increased from 47,325 to 54,829 (an increase of 7,504, or 15.9 percent) at the elementary level and from 19,196 to 21,929 (an increase of 2,733, or 14.2 percent) at the secondary level between 1965-66 and 1973-74. Similarly, Adolph Fehlauer, executive secretary, Board of Parish Education, Wisconsin Evangelical Lutheran Synod, reported that the synod's elementary school enrollments increased from 24,810 to 26,507 (an increase of 1,697, or 6.8 percent) and its secondary school enrollments increased from 2,638 to 3,405 (an increase of 767, or 29.1 percent) between 1965-66 and 1973-74. John Paul Carter, executive secretary, National Association of Episcopal Schools, in a telephone conversation, estimated that Episcopal school enrollments had increased by something like 60 percent between 1965-66 and 1973-74. Moshe Sokol, coordinator for enrollment activities, National Society for Hebrew Day Schools, indicated that the Hebrew Day Schools had experienced extremely rapid "spurt" growth for several years after 1965-66, but were now in an era of "slow, steady growth," mostly in suburban areas, with some decline in schools in inner cities where neighborhoods were deteriorating. Finally, Table 6 in the Appendix reflects a 5.4 percent growth at the elementary level and a 9.5 percent growth at the secondary level during the 2 years from 1971-72 to 1973-74 for day schools belonging to the National Association of Independent Schools. These groups account for at least 99 percent of nonpublic school enrollments. We were unable to obtain data from some additional small collectivities of nonpublic schools.

31. Kraushaar, *American Nonpublic Schools*, op. cit., p. 14.

32. This statement is based on my own observations, plus those of my colleague Bruce Cooper (University of Pennsylvania), plus queries directed to free-school leaders in several areas of the country by Cooper, in my behalf. His assistance in this regard is gratefully acknowledged.

33. Bruce S. Cooper, *Free and Freedom Schools: A National Survey of Alternative Programs*, A report to the President's Commission on School Finance (Washington, D.C.: The President's Commission on School Finance, 1972); also Cooper, "Organizational Survival: A Comparative Case Study of Seven American 'Free Schools,'" Ph.D. dissertation (University of Chicago, 1974); also Allen Graubard, *Free the Children: Radical Reform and the Free School Movement* (New York: Pantheon Books, 1972).

34. Nonpublic schools cannot merely mark time while public school budgets soar, for they must compete to some extent in the same market for personnel and material, and they must maintain some semblance of academic comparability and breadth of offerings, though the necessity of competing in these terms is more severe for schools that lack special religious and ethnic motives. Consequently, when public school costs rise (making the citizen pay more in taxes), costs in nonpublic schools tend to rise in similar proportions (making the patron pay more by means of fees or donations).

35. The estimate of a five-fold increase is taken from E.G. West, "An Economic Analysis of the Law and Politics of Nonpublic School Aid," unpublished manuscript (Carleton University, Ottawa, November 1974), p. 19, citing an analysis in James W. Guthrie, "Public Control of Public Schools: Can We Get It Back?" *Public Affairs Report*, Institute of Governmental Studies, University of California, Berkeley (June, 1974), No. 3.

36. In the telephone conversations mentioned in note 30, above, leaders of nonpublic school groups responded to questions concerning reasons for recent growth almost entirely in terms of client reactions to permissiveness, "immorality," or lack of academic rigor in public schools.

37. John D. Donovan, Donald A. Erickson, and George F. Madaus, *The Social and Religious Sources of the Crisis in Catholic Schools*, Vol. II of *Issues of Aid to Nonpublic Schools*, Report to the President's Commission on School Finance (Washington, D.C.: The President's Commission on School Finance, 1971).

38. The argument of this school of thought is that social conditions in the United States tend to obliterate the strict lines of doctrinal distinction that initially separate "sects," eventually transforming them into groups with the ecumenical outlook of "denominations." The classic statement of this view is found in H. Richard Niebuhr, *The Social Sources of Denominationalism* (New York: Henry Holt, 1929). Much of the same line of thinking appears in the more popular work, Will Herberg, *Protestant, Catholic, Jew*, rev. ed. (Garden City, N.Y.: Anchor Books, 1960).

39. *Bd. of Educ.* v. *Allen*, 392 U.S. 236, 88 S. Ct. 1923, 20 L. Ed. 2d 1060 (1968).

40. *Lemon* v. *Kurtzman*, 403 U.S. 602 (1971).

41. Since this issue is so sensitive, the areas and schools involved in the controversy seem best unidentified.

42. Tax deductions of one type for patrons of nonpublic schools were outlawed by the Supreme Court in *Committee for Public Educ.* v. *Nyquist*, 413 U.S. 756, 93 S. Ct. 2055 (1973). The Court commented that "there would appear to be little difference" between tuition reimbursements and tax credits, for under either approach the parent "receives the same form of encouragement and reward for sending his children to nonpublic schools. . . . We see no answer to Judge Hays' dissenting statement below that . . . 'the money involved represents a charge made upon the state for the purpose of religious education.'"

43. The free-school movement and the current unprecedented movement in public education toward "alternative" schools, mini-schools, and classrooms are both evidence of the increasing interest in educational options. Similar interest on the part of the scholarly community is expressed in the references listed in note 14 above. In the latest Gallup poll on the topic, a majority of the nation's adults registered for the first time an indication that they would favor a constitutional amendment to permit tax support of church-related schools. Support for such a policy rose from 48 percent in Gallup's 1970 survey to 52 percent in 1974. George H. Gallup, "Sixth Annual Gallup Poll of Public Attitudes Toward Education," *Phi Delta Kappan* 61 (September 1974), p. 25.

44. Donald A. Giannella, "Lemon and Tilton: The Bitter and the Sweet of Church-State Entanglement," in Philip B. Kurland, ed., *Supreme Court Review: 1971* (Chicago: University of Chicago Press, 1972), pp. 147-200; Paul A. Freund, "Public Aid for Church-Related Education: Federal Constitutional Problems," in Charles M. Whelan and Paul A. Freund, *Legal and Constitutional Problems of Public Support for Nonpublic Schools*, A Report to the President's Commission on School Finance (Washington, D.C.: The President's Commission on School Finance, 1971), pp. 63-106; West, "An Economic Analysis," op. cit.

45. Giannella, "Lemon and Tilton" op. cit.; Freund, "Public Aid," op. cit.. Both Giannella and Freund suggest that the Court is not so much bound by the logical conclusions of the "excessive entanglement" doctrine as it is using the doctrine to prevent the political strife that might attend a policy of public aid to church-related schools.

46. Since the Supreme Court has outlawed both tuition reimbursements and tax credits, it seems obvious that vouchers for patrons of church-affiliated nonpublic schools would stand little chance. See *Committee for Public Educ.* v. *Nyquist.*

47. See Giannella, Freund, West, op. cit.; John E. Coons and Stephen D. Sugarman, "Vouchers for Public Schools," *Inequality in Education*, (November 1973), No. 15, pp. 60-62.

48. Friedman, "The Role of Government in Education," op. cit.

49. Center for the Study of Public Policy, *Education Vouchers: A Report on Financing Elementary Education by Grants to Parents* (Cambridge, Mass.: Center for the Study of Public Policy, 1970).

50. West, *Education and the State*, and "The Political Economy," op. cit.

51. Daniel Weiler, *A Public School Voucher Demonstration: The First Year at Alum Rock* (Santa Monica, Calif.: The Rand Corporation, 1974). As this report points out, in the late

1960s, the Office of Economic Opportunity (OEO) began looking into vouchers as a possible device for improving American education, particularly so far as the needs of the impoverished were concerned. The Center for the Study of Public Policy (CSPP) drew up its plan under contract to OEO. In behalf of OEO, CSPP then made a nationwide canvass of public school districts to determine which would consider participating in this particularly cautious experiment. Major education groups condemned the idea vociferously. By 1971, OEO managed to stage feasibility studies in only four school districts, three of which soon declined to proceed further. In the Alum Rock Union Elementary School District (San Jose, California), the only school district in the nation that persisted, considerable controversy arose. When it became obvious that OEO's choice was between a watered-down experiment in Alum Rock and no experiment at all, the original plan was drastically modified to make it acceptable to public school personnel. The experiment, it was agreed, would initially involve public schools only, and only the schools in the district whose staff members wished to participate. Teachers' job and seniority rights were guaranteed; in other words, teachers would not be subject to the market forces envisioned centrally in voucher schemes. During the first year of operation the experiment was even more diluted, for the level of support a school enjoyed was not affected at all by gains or losses in enrollment, and the student's freedom to change from school to school was seriously curtailed as matter of administrative expediency.

52. For a somewhat more complete description of this idea, see Donald A. Erickson, "The Public-Private Consortium: An Open-Market Model for Educational Reform," in Troy V. McKelvey, ed., *Metropolitan School Organization: Vol. 2: Proposals for Reform* (Berkeley: McCutchan, 1972), pp. 209-228.

53. John E. Coons, William H. Clune III, and Stephen D. Sugarman, *Private Wealth and Public Education* (Cambridge, Mass.: Belknap Press of Harvard University Press, 1970); Charles S. Benson, "Economic Analysis of Institutional Alternatives for Providing Education (Public, Private Sector)," in Roe L. Johns *et al.*, eds., *Economic Factors Affecting the Financing of Education*, Vol. 2 of National Educational Finance Project (Gainesville, Fla.: National Educational Finance Project, 1970), pp. 121-172.

54. West, "An Economic Analysis," op. cit.

THE NONPUBLIC SCHOOL AND PRIVATE PHILANTHROPY

Robert L. Lamborn,[†] Cary Potter[*] and Al H. Senske[††]

Introduction

This paper deals with the dimensions of nonpublic elementary and secondary education in the United States, the public purposes of nonpublic schools, and the relationship of philanthropy to the nonpublic school.

The nonpublic elementary and secondary school sector, which has been a part of the educational fabric of this country since earliest colonial days, is today one of the nation's most significant educational resources. The nonpublic school serves a variety of public purposes, not the least of which is to ensure diversity of educational opportunity and innovation and experimentation in educational programming. Institutions in this sector have traditionally been associated with private philanthropy – their only partner in the absence of public support. This philanthropic support is, and will continue to be, a critical factor in the maintenance and development of existing schools and in the founding of new ones. The continuance of a vital private sector in elementary and secondary education depends on a public policy that offers the widest possible encouragement of philanthropic support of private endeavors in all fields – social, cultural, health, and educational.

I

THE DIMENSIONS OF PRIVATE ELEMENTARY AND SECONDARY EDUCATION

Enrollment and Classification

In the United States private elementary and secondary education – or nonpublic, as it is often called – comprises approximately 17,000 schools and 5,300,000 students, 75 percent of whom are in elementary grades and 25 percent in secondary. The total enrollment constitutes 10 percent of the nation's school-age population. To illustrate the magnitude of this sector, the nonpublic school enrollment is equivalent to some 50 percent of the total public and private higher education enrollment and greater than the public school enrollment of any one state.

The nonpublic sector of elementary and secondary education is diverse in its make-up. Religiously affiliated schools enroll the major portion of the nonpublic school population, some 91 percent.[1] Roman Catholic school enrollment represents approximately 82 percent of the elementary and 75 percent of the secondary nonpublic enrollment. Other religiously affiliated schools include Lutheran, Seventh Day Adventist, Jewish, Episcopal, Christian Reformed, Friends, Baptist, Methodist, and Presbyterian, with percentages of total nonpublic enrollment ranging from a fraction to 4.5 percent.

Schools that are not affiliated with a church – referred to as independent or private – constitute some 9 percent of the nonpublic school enrollment. The typical independent school is organized as an independent nonprofit tax-exempt institution, governed by an elected board of trustees which has ultimate responsibility for the institution.

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The size of the nonpublic population varies considerably among the different regions of the country, ranging from 1.6 million in the mid-Atlantic states to 60,000 in the Rocky Mountain states. The average nonpublic school is relatively small in size, with a total enrollment of just under 300.

Financial Dimensions

The financial structure of the nonpublic school sector has two distinct aspects: operating costs and capital investment in facilities and endowment. While exact statistics on capital investment are hard to come by, reasonable estimates are that the nonpublic schools represent a total investment of several billion dollars. The President's Commission on School Finance in its 1972 Report to the President estimated that a major closing of nonpublic schools could require a public outlay of as much as $10 billion to provide the necessary public facilities.[2] The annual operating costs of the nonpublic schools are estimated to be some $6 billion.[3]

The entire amount of the nonpublic school's accumulated capital investment has been contributed by private philanthropic sources, through the gifts made by countless individuals either directly to the schools or indirectly through religious institutions.

The annual operating costs are met by a combination of paid tuition and philanthropic contributions. The proportional mix of these two sources of funds varies widely – from the one extreme in which almost the entire cost is borne by philanthropic sources to the other in which almost the entire cost is borne by tuitions. Tables 1-4 illustrate the pattern of operating costs and income for two categories of nonpublic schools: independent schools, which rely on tuition as the major source of revenue, with philanthropy playing an essential supporting role; and schools of the Lutheran Church-Missouri Synod, whose tuition income is substantially subsidized by a combination of direct and indirect (via the Church) philanthropy. (The figures on the Lutheran schools are generally representative of religiously affiliated schools that have a substantial amount of church-channeled support.)

II

THE PUBLIC PURPOSES OF THE NONPUBLIC SCHOOL

The nonpublic school serves a number of public purposes. The most obvious one is that it provides the basic elementary and secondary education required by the states under their compulsory school attendance laws. These laws recognize the rights of parents to fulfill the requirements for education of their children in acceptable private institutions, as well as the rights of such institutions to exist. Both of these rights have been upheld by the U.S. Supreme Court in its landmark decisions in *Dartmouth College v. Woodward (1819)* and *Pierce v. Hill Military Academy and the Society of Sisters (1925).*

In addition to its role in fulfilling the basic public purpose of the development of an educated citizenry, the nonpublic school represents an important element of diversity in elementary and secondary education. Otto Kraushaar, in his study, *American Nonpublic Schools: Patterns of Diversity* (1972), commented on the significance of this diversity: "The one principle that should be uppermost in judging the justification and limits of the state's intervention in education is the significance of pluralism in a democratic society – the recognition that variety, alternatives, choices and multiple centers of initiative are essential for continuous social renewal." The nonpublic school sector is diverse in history, purpose, sponsorship, form of organization, religious affiliation, and educational philosophy, method, and style. It includes church and non-church affiliated schools, elementary and secondary schools, day schools and boarding schools, coeducational and single-sex schools of special purpose. Some of these schools have been operating for several hundred years, others for only one year.

The diversity of the nonpublic school sector stems from two interrelated factors: the search by parents and students for an appropriate setting, style, and focus of education, and the parallel search by educators for different ways to provide elementary and secondary education. Education in its broad sense is a sensitive human enterprise that goes well beyond the teaching and learning of basic academic skills. Even if there were complete consensus on the methods of teaching these basic skills (which there is not), there would continue to be wide differences of opinion with respect to the place of spiritual, social, and personal development in education. There is no one right way of educating young people, and it is beyond the capacity of any one system, public or private, to provide all the options wanted or needed. The freedom to seek – and the freedom to offer – what is believed to be a desirable education is essential; the wide diversity among nonpublic schools permits the expression of this freedom.

Beyond ensuring a needed element of diversity, the nonpublic school in a collective sense provides an avenue for the expression of new trends – sometimes in protest, sometimes to meet a changing set of societal needs and conditions. In the earliest nonpublic schools, which date back to 1638, the focus of classical education was the preparation of students for the ministry and the public professions, critical needs in a nascent society. As the society developed, there was a need for a more general education; the academy, privately sponsored and directed and privately but sometimes publicly funded, was organized in response to that need. With the mushrooming of the public high school in the late nineteenth century – schools that emphasized a broad general secondary education – the private school developed a special focus on preparation of students for higher education. The mid- and late-nineteenth century saw the vigorous growth of the Catholic schools in protest against the then-dominant Protestant orientation in public education. Then, as now, religiously affiliated schools were organized to maintain the cultural and religious identity of particular groups in the society.

The nonpublic schools were prime movers in the early part of this century in the development of a new direction in education that came to be known as the Progressive Movement. In the 1950s, the Advanced Placement Program of the College Entrance Examination Board, now in wide use in colleges and universities as well as secondary schools, resulted from the joint initiative of a group of nonpublic schools and colleges. In more recent years, a new movement of alternative schools arose in protest against sluggish and unchanging public institutions. Some of these schools were designed to test and demonstrate different approaches to teaching and learning and others to provide opportunities for some degree of choice for minority families hedged in by and dissatisfied with the limited fare available in urban public schools. Although often poorly supported, this new alternative movement has nevertheless had its impact on public education, where the trend to provide alternatives and options is increasingly more evident.

If the history of private elementary and secondary education demonstrates anything, it shows that there is a need to provide diversity and the opportunity for choice in education and to encourage and stimulate the development of new educational approaches in response to changing conditions in society. A dynamic society requires that kind of diversity and opportunity as it seeks to improve the quality of life; the nonpublic school helps to provide this in its own field, as do private colleges, medical institutions, museums, cultural and social agencies in theirs. "In short, if there were no nonpublic schools, people would have to invent them – which in fact they are doing every day. . ."[4]

III

PHILANTHROPY AND ITS RELATIONSHIP TO THE NONPUBLIC SCHOOL

Philanthropy is an essential ingredient in the nourishment of a climate in which private initiative can exist and, therefore, is an essential ingredient in the nonpublic school. Elementary and secondary education is not a profit-making enterprise. Nonpublic elementary and secondary schools are, with very few exceptions, either nonprofit tax-exempt entities or the creatures of other nonprofit tax-exempt entities, such as the churches. Unlike the situation of many other private institutions such as those in higher education and in other "public interest" fields like health, art, and social welfare, there are virtually no public funds – state or federal – available to the nonpublic school. Certain limited services are, it is true, made available to the nonpublic schools in the form of transportation, special guidance and remedial services, food and milk subsidies; but these services are of little value as operational support and are of no value in the establishment of a new school. Thus, private philanthropy is to date the only viable partner that the nonpublic school has.

Philanthropy is the sole supporter of the founding of a new school. (As noted earlier, one of the most creative and useful aspects of the nonpublic school sector is that institutions are created in response to new and changing needs.) Philanthropy is also the sole source of funds for capital growth in an established school.

Philanthropy likewise plays a critical role in the ongoing operations of nonpublic schools. The proportion of the operating budget that is accounted for by philanthropy varies widely, depending on the weight of tuition income. Those private schools that have very low tuitions and rely heavily on church subsidies are to a large degree indirectly dependent on philanthropy. Those that have substantial tuition fees from which they can finance a large part of their operations may appear to depend little on philanthropy, but, in fact, the philanthropic factor is as critical in the higher-tuition schools as in the lower-tuition schools. It provides an important margin that enables these schools to stay alive, to serve those who cannot afford the full cost, and to undertake new and creative activities. (The financial data provided in Tables 1-4 demonstrate this critical nature of philanthropic support.)

Sources and Amounts of Philanthropy

Reference was made earlier to an accumulated capital investment of up to $10 billion in nonpublic schools, nearly all of which can be attributed to past philanthropy. Looking at current philanthropy, it has been estimated that the annual philanthropic support of nonpublic schools is in the neighborhood of $174 million in direct contributions and $537 million in indirect contributions through religious entities.[5] The sources of this support are varied, with the major share accounted for by parents, alumni, and friends and additional support provided by foundations and corporations.

The following figures illustrate the pattern and scope of philanthropic support for the independent sector of nonpublic schools:

1972-73 Gift Support for 567 Independent Schools[6]

Individuals (Parents, Alumni, Friends)	Foundations	Corporations	Total
$106,481,000	$24,501,000	$3,149,000	$134,131,000

Of the total $134 million contributed, approximately one third was for operating expenses and about two thirds for capital expenses. As the figures show, just under 80 percent of total contributions came from individuals.

Philanthropic Support for Research and Program Development

In addition to the major philanthropic support going to individual nonpublic schools for operational and capital purposes, there is significant support in the form of foundation grants to groups of nonpublic schools, or nonpublic school agencies, for research and development of innovative educational projects.

To illustrate, major grants from the Danforth, Independence, Edward E. Ford, and other foundations made possible the first inclusive study of this country's nonpublic sector and resulted in the publication of the study report, *American Nonpublic Schools: Patterns of Diversity* (Otto Kraushaar, 1972). Grants from the Danforth and Ford Foundations provided funds for the creation of the Council for American Private Education, the first federation of the national organizations serving or operating some 95 percent of the nonpublic schools in the country. Grants from more than 100 foundations (including The Ford Foundation, The Rockefeller Foundation, the Independence Foundation, the Sperry & Hutchinson Foundation, the Charles E. Merrill Trust, the Sears Roebuck Foundation) have supported the special scholarship program for several thousand minority students under the *A Better Chance* project, amounting to an outlay of more than $5 million since 1963.

Grants to the National Catholic Education Association by The Ford Foundation made possible the setting up of Joint Planning Councils (Catholic and public school systems) in several major cities, including Philadelphia, New Orleans, San Francisco, and Spokane; and grants from the Carnegie Corporation underwrote major research studies of Catholic education as well as the development at N.C.E.A. of an effective data gathering system for Catholic schools. Grants from the Werner Foundation and others enabled the Lutheran Church-Missouri Synod to conduct a study of the impact of the Lutheran school education on students who had attended these schools. Grants from the Rockefeller Brothers Fund, along with other foundations, have supported the development of an experimental project in teacher education for public and private school teachers, under the sponsorship of the National Association of Independent Schools and the Greater Boston Teachers Center. The National Association of Independent Schools alone has received over $1.5 million over the course of the past six years for a variety of developmental projects.

This kind of philanthropic activity has had two results. First, it has enabled the entire nonpublic school community, or substantial segments of it, to undertake effective projects of research and development directed towards improving its services to education. Second, it has provided opportunities for philanthropic organizations to support educational improvement through a variety of kinds of educational institutions in elementary and secondary education. While the amount of this kind of philanthropic support is dwarfed by the amount of support from individuals (directly and indirectly) for operations and capital purposes, it is nonetheless an increasingly important element of support which greatly enhances the ability of the nonpublic sector to contribute effectively to the development of elementary and secondary education.

IV

ANALYSIS OF FINANCIAL OPERATIONS AND PHILANTHROPIC SUPPORT

Financial Operations

This section is devoted to a financial analysis of two categories of nonpublic schools: independent schools and schools affiliated with the Lutheran Church-Missouri Synod.

Table 1 provides figures for independent day schools, showing the breakdown of per-student expense and income in actual dollars and as a percent of total budget. The figures are given for an average of 166 day schools and for two typical individual schools.

Table 1

Independent Day Schools: Operations

	Average of 166 Day Schools		Typical Individual Schools: School A		Typical Individual Schools: School B	
Enrollment	503		722		518	
		% of Budget		% of Budget		% of Budget
Expense per student[a]						
Instruction	$1,027	49.9%	$1,030	55.4%	$1,544	54.6%
Administration	275	13.3	294	15.9	256	9.1
Student aid	119	5.8	191	10.3	145	5.1
Other	635	31.0	338	18.4	878	31.2
Total expense	$2,056	100.0%	$1,853	100.0%	$2,823	100.0%
Income per student[b]						
Tuition & fees	$1,648	81.7%	$1,559	82.8%	$2,141	79.8%
Endowment	58	2.9	25	1.3	96	3.6
Gift	175	8.7	294	15.6	291	10.8
Public aid	4	.2	0	0	0	0
Other	131	6.5	5	.3	155	5.8
Total income	$2,016	100.0%	$1,883	100.0%	$2,683	100.0%
Net	-40	-1.9	30	1.6	-140	-5.2

[a] Expense:

Instruction (faculty salaries, educational materials and supplies);
administration (administrative salaries and expenses);
other (plant, food service, general institutional expense).

[b] Income:

Public aid (money received from state and federal sources);
other (income from support services (transportation, food), summer camps, rentals and other auxiliary enterprises).

Tables 2, 3, and 4, respectively, provide similar information for 112 independent boarding schools and two typical individual schools; 1,239 elementary day schools of the Lutheran Church-Missouri Synod; and 29 secondary day schools of the Lutheran Church-Missouri Synod and one typical school.

Table 2

Independent Boarding Schools: Operations

	Average of 112 Schools		Typical Individual Schools			
			School C		School D	
Enrollment	265		181		475	
		% of Budget		% of Budget		% of Budget
Expense per student[a]						
Instruction	$1,233	25.1%	$1,472	27.0%	$1,019	26.6%
Administration	631	12.8	761	14.0	603	15.7
Student aid	362	7.4	474	8.7	290	7.6
Other	2,683	54.7	2,730	50.3	1,917	50.1
Total expense	$4,909	100.0%	$5,437	100.0%	$3,829	100.0%
Income per student[b]						
Tuition & fees	$3,048	63.2%	$3,733	74.6%	$3,065	79.7%
Endowment	678	14.1	412	8.2	271	7.0
Gift	462	9.6	547	10.9	352	9.1
Public aid	12	.2	0	0	0	0
Other	619	12.9	313	6.3	159	4.2
Total income	$4,819	100.0%	$5,005	100.0%	$3,847	100.0%
Net	-90	-1.8	-432	-7.9	18	.5

a. Expense:

Instruction (faculty salaries, educational materials and supplies),

administration (administrative salaries and expenses),

other (plant, food service, general institutional expense).

b. Income:

Public aid (money received from state and federal sources),

other (income from support services (transportation, food),
summer camps, rentals and other auxiliary enterprises).

As shown in Tables 1 and 2, the independent schools are operating marginally; both day and boarding schools show an average net loss of just under 2 percent (two of the four typical individual schools show losses of 5.2 percent and 7.9 percent. The remaining two schools had net gains of 1.6 percent and .5 percent.)

The student aid cost (scholarship funds) amounts to an average 5.8 percent of the total expense budget in day schools (the cost is 10.3 percent for individual School A and 5.1 percent for School B) and 7.4 percent in boarding schools (8.7 percent for individual school C and 7.6 percent for School D). It goes as high as 16.4 percent in some day schools and 30.9 percent in some boarding schools.

Income from philanthropic sources – endowment (past philanthropy) and gifts (current philanthropy) – amounts to an average 11.6 percent of the total day school income (this figure is 16.9 percent for School A and 14.4 percent for School B) and an average 23.7 percent of boarding school income (19.1 percent for School C and 16.1 percent for School D).

It is clear that the total amount of philanthropic support, though relatively modest in terms of share of total income, provides a critical margin in the operation of these schools. Without this support, and in the absence of any form of public subsidy such as that made available to higher education by the federal government and many state governments, the likelihood of declining quality in or financial collapse of nonpublic schools and the eventual pricing of these schools out of the middle-class market (as well as the reduction or elimination of student aid) is self-evident.

Table 3

Lutheran Church-Missouri Synod: Elementary Day School Operations[a]

	Average of 1,239 Schools	% of Budget
Enrollment	122 (Range 601 to 6)	
Expense per student		
All expenses	$403 (Range $900-242)	100%
Income per student		
Tuition and fees	$125 (Range $760-0)	31%
Endowment	.25	0
Gifts (contributions to churches and synodical district subsidies for school costs)	269	66
Public aid (no cash grants; materials and and services only)		
Other income	12	3
Total income	$406.25 (Range $900-250)	100%
Net	3	.73

[a] A number of the schools included operate only pre-kindegarten or kindergarten programs, which may to some extent affect the elementary school averages. Also, some schools that report enrollment statistics do not submit complete financial reports; it is impossible to eliminate these schools from the tabulations. The total expense per pupil is listed on Table 3 as $403; our computer tabulations of ADM and ADA figures reported by schools that provided more complete financial data indicate an ADM mean of $439 and an ADA mean of $464. We assume that the income figures are also low (by approximately $50 per student) because of insufficient data.

Table 4

Lutheran Church-Missouri Synod: Secondary Day School Operations

	Average of 29 Schools		Typical School	
Enrollment	441 (Range 1070-100)		449	
		% of Budget		% of Budget
Expense per student				
Instruction	$541	66.8%	$594	70.8%
Administration	69	8.5	74	8.8
Student services	14	1.7	-	-
Other expenses (excluding debt service)	185	23.0	171	20.4
Total expense	$809	100.0%	$839	100.0%
Income per student				
Tuition and fees	$579 (Range $1,550-375)	70.50%	$707	79%
Endowment	3	.25	1	-
Gifts (direct as well as through churches)	208	25.00	153	17
Public aid	2	.25	-	-
Other income	32	4.00	35	4
Total income	$824	100.00%	$896	100.0%
Net (excluding debt service)	15	1.8	57	6.4

As seen in Tables 3 and 4, the Lutheran schools are operating very close to the margin, with the average elementary school showing a net gain of less than 1 percent and the average secondary school a net gain of less than 2 percent (the typical secondary school had a net gain of 6.4 percent). If debt service charges were included, the margin would be substantially reduced.

The ability of these schools to operate is heavily dependent on philanthropic support. In the elementary schools, philanthropic support, the bulk of which is derived indirectly through the sponsoring church, amounts on the average to 66 percent of the per-student income; only a tiny fraction of income comes from endowment. In secondary schools, philanthropic support accounts for an average 25 percent of per-student income, with less than one percent of income derived from endowment. (In the typical secondary school, an average 17 percent of per-student income is derived from philanthropic gifts.)

All of these schools are committed to maintaining the greatest possible accessibility to those students who choose to attend, regardless of their ability to pay. Thus it is obvious that most must rely heavily on a strong base of philanthropic support derived from a large number of modest contributors.

Philanthropic Support

This section sheds further light on philanthropic support of independent schools through an examination of the actual 1973-74 gifts received by the four typical independent schools reported on in Tables 1 and 2.

Table 5

Gift Support 1973-74: Four Typical Schools

	School A	School B	School C	School D	Totals
Parents	$194,695	$ 98,499	$ 24,988	$ 29,535	
Alumni	23,083	482,930	350,681	152,918	
Other individuals	11,275	675,882	83,691	315,826	
Foundations	26,000	10,000	72,790	67,400	
Corporations	105	1,221	11,134	6,383	
Total gifts	$255,158	$1,268,532	$543,284	$572,062	$2,639,036
Capital[a]	29,058	1,078,120	344,571	289,583	1,741,332
Annual support	226,100	190,412	198,713	282,479	897,704

[a] Capital gifts vary from school to school and from year to year, depending on the timing of capital campaigns (although the current trend is toward a continuing capital effort). The most common uses of capital gifts are new or improved facilities, while endowment is usually used for scholarship aid and faculty salaries. Building of endowment, once peculiar to a few schools, is today recognized as essential to continued existence and development.

Patterns of Giving

The range of voluntary support sources in independent schools is broad. The four typical schools examined above, which had a combined enrollment of 1,896, were the beneficiaries of a total of $2,639,036 in philanthropic support in 1973-74. This amount came from 6,351 sources. All but $195,033 came from individuals – parents, alumni, trustees, and other interested individuals. When the total number of donors is broken down by size of gift, the following picture emerges:

	School A	School B	School C	School D	Total	% of Total Donors
Under $100	2,316	1,396	280	673	4,665	73%
$ 100 - 499	297	380	359	249	1,285	20
$ 500 - 1,999	63	91	13	131	300	5
$ 2,000 - 4,999	12	7	-	18	37	
$ 5,000 - 9,999	5	8	-	16	29	
$10,000 - 19,999	6	6	-	6	18	2
$20,000 - 49,999	1	6	1	5	13	
$50,000 and over	1	2	-	1	4	

Total Donors - 6,351
Total Gifts - $2,639,036

The small (under $100) and moderate ($100-499) categories account for a respective 73 percent and 20 percent (or a total of 93 percent) of the 6,351 donors. These categories contribute approximately 30 percent of the total support. The large ($2,000 to $9,999) and the very large ($10,000 to $50,000 and over) categories account for only some 2 percent of all donors, but contribute 56 percent of the total gifts. The $20,000 and over categories – comprising an estimated 17 out of the over 6,000 givers – alone provided some 30 percent of the total support.

Of the total $2.6 million contributed, $1.7 million was for capital improvement and endowment growth and $.9 million for operations (the latter amount covered from 14.4 percent to 19.1 percent of the total operating budgets of the schools).

V

CONCLUSION

It is important to realize that both the small giver, in large numbers, and the large giver, in small numbers, play a key role in the support of nonpublic schools – as indeed they do in other kinds of private sector institutions. Large numbers of donors of modest philanthropic ability are essential to maintain and sustain the institution, while the few donors of substantial sums can at critical times in an institution's life provide the thrust that makes the difference between a dream and an accomplished goal.

Since the average nonpublic school is relatively small in size and thus has a small constituency, it is not likely to have more than a handful of major donors. Against the background of the total annual national philanthropic pool of $25 billion,[7] the sum of major donations to the nonpublic school is not much. But these gifts are not made to a national pool, they are made to particular institutions in particular fields. While a gift of $500,000 is a minute fraction (.002 percent) of the annual philanthropic pool, it can easily represent one half or more of the capital fund-raising goal of an individual institution. It is this particularity of philanthropy that especially needs to be safeguarded.

Public policy towards philanthropy has to rest on a clear recognition that our society and its needs have been, and will continue to be, well served by a diverse range of private institutions in the fields of social welfare, culture, health, and education. Such a policy must acknowledge that in these vital areas voluntarism provides a priceless freedom of choice and commitment that no amount of governmental concern, no matter how well conceived or supported, can replace. It follows that public policy not only must refrain from burdening, through taxation and other means, institutions that serve the public interest but, equally important, must provide the widest possible encouragement and incentive to the private sources of support on which these institutions rely. Private sector institutions in elementary and secondary education, as in higher education, the arts, health and welfare, are dependent on such a policy for their future existence and for their freedom.

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Footnotes

1. The figures in this paragraph are based on the U.S. Office of Education report, *Statistics of Nonpublic Elementary and Secondary Schools*, 1970-71 (HEW Publication No. (OE) 74-11420).

2. *Report of the President's Commission on School Finance*, 1972

3. U.S. Department of Health, Education and Welfare release, September 8, 1974.

4. Otto Kraushaar, *American Nonpublic Schools: Patterns of Diversity* (Johns Hopkins University Press, 1972), p. 317.

5. Donald Erickson, "Philanthropy, Public Needs and Nonpublic Schools," paper prepared for the Commission on Private Philanthropy and Public Needs.

6. *Annual Statistics, National Association of Independent Schools, Report No. 49*, February 1974.

7. American Association of Fund-Raising Counsel, Inc., *Giving USA*, 1975. (1974 figures.)

THE ROLE OF PRIVATE PHILANTHROPY AND PUBLIC SUPPORT OF SCIENCE IN THE UNITED STATES

Caryl P. Haskins[†]

Introduction

A complex set of issues surrounds the separate but complementary roles of the public and private sectors in the support of science and science training in the United States. Before considering the issues themselves, it may be useful to pose two apparently obvious questions. Both are far from new, and both have been debated for a long time. Yet a widespread lack of public consensus – perhaps even of understanding – concerning their implications has given rise to ambiguity and confusion in federal policy on governmental support of scientific research and training, a situation that places singular emphasis on the importance of private philanthropy to the sciences.

What is Science?

This first question conceals an important dichotomy, perhaps best expressed in terms of the two facets of science: science as culture, as a way of life; and science as a means of getting things done. (These are chosen to epitomize the extremes of a long and continuous spectrum.)

Science as culture. The impressive continuity of the flow of science from the past to the present – and on into the future – embraces far more than substance. It involves an intellectual tradition based on the drive to satisfy an unending curiosity. It is only because of this unremitting thirst for knowledge and the constant striving to satisfy our natural curiosity that we have made the truly great advances in our understanding of the world. The gaining of further major insights will depend in large measure on how well we understand this dedication to the pursuit of knowledge through scientific endeavor and how we support it in the future, in terms of both providing funds and understanding the challenge.

Science as a means of getting things done. This second facet of science is far more generally understood and appreciated than the first. It typically involves so-called "applied science," science with a more or less specific and predictable mission, science in partnership with and sometimes merged with technology. This is the facet of science that has been most visible to the nation, especially since World War II when it has yielded its most striking returns in defense, material goods, and, very often too, in new kinds of understanding. It is an eminently "practical" form of science and as such is compatible with our culture which has historically been characterized by and closely linked with the development and use of technology.

The dichotomy in our definition of science is somewhat artificial, adopted to clarify our discussion of the roles of private and public support. In practice, not only does scientific activity range from the highly theoretical to the applied, but often the links between these two forms of science are very close, as in some of the engineering sciences and, most particularly, in medicine. It is in these situations that competition and tension, involving philosophies, patterns of operation, value systems, and sources and types of support, can sometimes be very pronounced. Such competitiveness may in some cases be beneficial, in others detrimental.

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What Do We Want to Achieve in Supporting Science?

What is it that we wish most to achieve in our current level of both public and private support of science? Is it primarily to accelerate further the rate of discovery and the accumulation of new knowledge? Is it primarily to encourage and increase the development of additional centers of excellence in research and teaching? Is it primarily to increase even more rapidly the numbers of scientifically trained young men and women? It is primarily to design new and more effective means for providing and managing the mass of technical services that are needed now and will be in even greater demand in the future? Or do our overriding interests, as I believe, include all of these objectives, however divergent in their requirements and sometimes conflicting in their demands?

Too often we have avoided the task of sorting out and defining our objectives at the policy level. In part, this may stem from a naive faith that science itself and alone, given any task, faced with any problem, can provide solutions.

In structuring our support for science, are we primarily interested in that equality of opportunity upon which our whole philosophy and our very identity as a people have so long rested? Or are we most concerned with furthering that excellence that continues to provide today, as it has throughout our past, our best guarantee of national development? Or are we still deeply interested in both? If so, we are going to have to give more care and thought than in the past to solving the inconsistencies of management inherent in this duality of values: inconsistencies that have always troubled us but that now are far more formidable and demand workable solutions. Here again the question of private versus public support is deeply involved.

I

APPLIED SCIENCE VERSUS THEORETICAL SCIENCE

For at least a generation we have witnessed and lived with impressive examples of applied science: the development of radar, the Apollo Project, Project Mohole, to name but a few. During World War II and later, the program of the Office of Scientific Research and Development was generally heralded as an example of organized theoretical science in the service of the nation. It was, in fact, nothing of the kind. Instead, it was a striking example of a superbly organized and advanced program in applied science and technology which made extraordinarily effective use of the products of "pure" science accumulated over many years.

The salient characteristics of applied science in partnership with technology can be readily identified:

1. It is, in a very real sense, mission oriented. Thus its course, while not predictable in detail, can be projected in general terms.

2. Enterprises based on applied science cum technology are frequently extensive undertakings, requiring large staffs and relatively large budgets. Practical budgetary considerations not infrequently limit these projects.

3. Success is typically judged by the standards commonly applied to enterprises in the technological or engineering fields. In this sense, mission-oriented science tends to fall under the economists' rubric of producers' goods, according to which an investment in future production is assessed in terms of the returns it offers in comparison with alternate forms of investment.

4. Because projects of this sort are relatively conventional and at times demand the investment of large funds – sometimes on a speculative basis – they find their

most natural source of operational support within industry and their most natural source of fiscal support within the federal government (which, as we shall see, does provide a major share of the funding).

The characteristics, the modes of assessment, and the requirements of theoretical science are almost diametrically opposed to those of applied science:

1. The course of theoretical science is, in the truest sense, unpredictable. For as Sir Peter Medawar has justly remarked, to predict an idea in theoretical science is to *have* that idea.

2. Since theoretical science is and must be governed by the internal dynamics of its own processes, the assessment of its success and failure must derive from the collective judgment of its most effective practitioners. This places somewhat different and more specialized demands on those who work in this area than on those who work in better-trodden scientific areas.

3. Similarly, theoretical science can never be judged by the economists' rule of producers' versus consumers' goods. The rubric of producers' goods is most certainly inappropriate in view of the uncertain and distant (though sometimes immensely important) results that may ultimately flow from this type of science. And to regard it as consumers' goods – as a form of self-indulgence for scientists at the cost of the lay community, as a frivolous rather than a serious pursuit – is highly erroneous. It is also dangerous, for scientific studies have not infrequently been lumped with studies of abstruse, occult, or other extraordinary subjects as not being appropriate matters for government subsidy in the form of tax exemption. The hazard here is obvious: for nonprofit institutions conducting inner-directed research, if tax-exempt status is limited to only "serious" issues (that is, those considered to deal solely with purposes with predictable results) there is the real danger that the ability of private organizations to pursue freely innovative or unusual ideas not generally accepted or recognized by society can be restricted.

Usually, enterprises in pioneering science do not require an initial input of large amounts of funds. But the support provided must be steady, consistent, predictable, and relatively long term. Traditionally, the academic environment has been the optimal setting for the financing and conducting of theoretical science. In recent years, however, this setting has on occasion proved less productive for the more sensitive enterprises of this kind that have some specialized research and teaching institutes, either privately supported or if publicly supported, protected by very special operating safeguards.

In this context, some statistics on the support sources of distinguished pioneering science and scientists in Great Britain over the past quarter century are instructive. In the earlier part of this period, the universities were a principal source of scientific excellence, but more recently the lead seems to have passed to the research institutes, where administrative duties are light and teaching can take on the highly personalized and apprentice-like character that is so important to this type of science. To illustrate this change: Of the 32 new Fellows elected to the Royal Society in March 1967, only 13 had conducted the research that led to their selection within universities, and some of these had held research professorships there.

The British Medical Research Council, where many crucial discoveries, including the structure of DNA, were consummated, operated with something like 5 percent of the funds available to universities and with perhaps one-tenth the number of scientists. Yet, of a total of 18 Nobel Awards in all scientific subjects made in Great Britain between 1950 and 1968, no less than 7 went to members of the staff of the British Medical Research Council, an astonishingly large share. It would be hard to find more striking evidence of the essential place in both science education and the execution of highly innovative science of a center of excellence with sufficient independence of support to allow its members to follow freely the inner logic of their disciplines, wherever it may lead.

The special educational setting best suited to the training of young men and women seeking to enter the most highly innovative and intellectually demanding sectors of science is likely to be found in such centers. Sir Hans Krebs has emphasized how vital these centers are and what unequaled opportunity they can offer the gifted young individual at a critical period in his career. One of the best examples is provided by Krebs' own career. Krebs, who became a Nobel Laureate in chemistry, had the opportunity during the critical period of his professional development of working closely with Otto Warburg and of collaborating with him in the investigation that earned Warburg the Nobel Award in 1931. Warburg's career followed much the same course: As a young man he was closely associated with Emil Fischer, who in 1902 had been awarded the Nobel Prize for his work on the chemistry of sugars. Fischer, in turn, had worked with Adolf von Baeyer, awarded the Nobel Prize in 1905 for his discoveries in the chemistry of dye-stuffs. And so the genealogy continues, back to the period before the Nobel Awards were established: von Baeyer was a pupil of Kekulé, best known for his elucidation of the structure of the benzene molecule; Kekulé, in turn, studied with Liebig, who is credited with laying the foundations of organic chemistry; Liebig had worked in Paris in the laboratory of Gay-Lussac, discoverer of the fundamental laws in the behavior of gases (an experience that Liebig referred to as a critical determinant of his career); Gay-Lussac studied under Berthollet, the pioneer in the theories of combustion and a former pupil of the great Lavoisier.

The late Arne Tiselius wrote from his own experience: "To most research workers the decisive factor in preparing their minds is obviously their impressions and experiences during their university years, particularly if they have the fortune of having a great scientist as their teacher. . . In my experience, I have come to the conclusion in the support of fundamental research, the individual research worker is more essential than the research project when judging priorities." A glance at the history of the centers of training of great scientists provides ample evidence that it is the flexible and relatively small research group – one specifically directed by the internal demands of its tasks – that has produced and continues to produce the leading scientific figures. This, it seems to me, lends particular emphasis to the unique and continuing importance of private philanthropic support of science which enables, indeed encourages, this much-needed flexibility and independence.

Pioneering Science and Technological Progress

It would be a mistake to conclude from the preceding discussion that theoretical science is never found in partnership with technology. This relationship is likely to be most effective, however, once theoretical concepts in a given area have been established and are maturing. Though technology as an art and profession is many centuries older than science and even in our own culture long operated almost independently of science, the partnership of theoretical science and technology, which first developed at the beginning of this century in the United States and throughout the Western world, has been responsible for some of the most explosive technological developments of our era. It was this combination that many years ago prompted Whitehead to write: "In the conditions of modern life the rule is absolute, the race that does not value trained intelligence is doomed. . . Today we maintain ourselves. Tomorrow science will have moved forward yet one more step; and there will be no appeal from the judgment which will then be pronounced on the uneducated."

But, as was demonstrated by the programs of the Office of Scientific Research and Development in the early 1940s, a close operating partnership with technology may enhance the working environment within which the richest theoretical innovation takes place. A particularly vivid example of this is the brilliant initiation of the maser and the laser by Charles Townes. The case is especially interesting since it is clear that this prodigious technological development could not possibly have been achieved, or even imagined, through straight-line, goal-oriented approaches to what proved to be the final objective (although the foundations were provided by earlier technological development). Under the pressures of World War II, the technique of microwave oscillators was developed to the point where a new branch of physics, microwave spectroscopy (the study of the interaction between gaseous molecules and microwaves), was originated. At first it was developed primarily in industrial laboratories, but practical ends seemed so remote that the commitment to that course of research soon waned. The basic invention of the maser subsequently occurred at Columbia University, and was followed by similar developments at the University of Maryland and the Lebedev Institute in Russia. It was the intimate fusion of the essentially "pure" field of microwave spectroscopy with applied electronics that provided the setting from which the maser and laser emerged. *But the atmosphere in which the critical first steps were taken was academic, not technological.*

II

PUBLIC VERSUS PRIVATE SUPPORT OF SCIENCE

The Historical Record

Support of science by privately endowed institutions began in the United States at the beginning of the twentieth century with the establishment of the Carnegie Institution of Washington and the Rockefeller Institute for Medical Research, both of which were dedicated to the support and execution of innovative science. Industrial research, in a formalized sense, began around the first decade of the century with the establishment of the Research Laboratory of General Electric Company and the Bell Telephone Laboratories, though earlier industrial research work had been carried on in a handful of chemical corporations.

Public support of science in the U.S. began much earlier – some 50 years before the advent of private support. Its origins can be traced to the Department of Agriculture which prior to World War II had the largest scientific research program in the federal government. The department's research program was strictly goal-oriented and was directly related to its mission to aid farmers. It contributed exclusively to publicly supported institutions, allocating a large part of its funds for research to state colleges and experiment stations. This was the federal government's first large-scale venture into a publicly administered research program. It fitted the temper of the country, and it was highly successful. Indeed, without the extensive and invaluable work accomplished in this program, especially in its early years, the food situation in the United States today would be very different from what it is.

This early experience with a publicly supported program of science, and others like it, made a deep impression on us as a nation, an impression that is not changed perceptibly today. Its consequences are as visibly important now as they were then, if not more so.

The experiences of World War II, and later of the era of Sputnik, greatly broadened our concepts of publicly supported scientific effort. Some figures on federal dollar commitments during that time tell a part of the story. In 1940 the total national budget for research and development was close to $74 million. A decade later, at the end of World War II, it had reached approximately $1.2 billion. In 1953, at the close of the Korean War, the federal commitment more than doubled to $3.0 billion; 3 years later, in 1956, it amounted to some $3.5 billion; and by 1959, post Sputnik, that part of the national budget labeled for research and development alone came to $5.8 billion. In 1963, the federal government expended an estimated $11.9 billion for research and development – almost as much as the total amount spent in the previous 23 years. According to a report by Dr. L.A. Du Bridge to the National Science Foundation, federal obligations for research and development grew at a rate of over 20 percent per year in the decade 1956-1967. It was an unprecedented expansion and, of course, one that was impossible to maintain for long.

But the change was not only in amounts spent. The experiences of World War II, especially that of the Office of Scientific Research and Development, the extraordinary influence of Dr. Vannevar Bush and those whom he gathered about him, and the experiences of Sputnik and the so-called "missile gap" also changed the orientation of the research that was supported. The federal government began a second experiment on a grander scale than the first, an experiment in providing public support for highly innovative, non-goal-directed research of a pioneering kind and the training of research investigators. The era elevated the scientific stature of the United States, hitherto quite modest, above that of all nations. That spirit permeated many branches and departments of government, including the Department of Defense, whose support policies – especially those of the Office of Naval Research – were among the most enlightened. In the end, of course, it was particularly concentrated in the National Science Foundation which was given the special mission of supporting innovative, self-directed scientific research and the training of the men and women to conduct it. Fueled by the grave experiences of the 1940s and 1950s and the early 1960s, public support of both non-goal-oriented and goal-oriented science underwent a profound revolution of intent.

There were, however, counterforces at work. And it is these counterforces, which have grown stronger with the years, that we must deal with today. Looking back, it is now clear that the new approaches to publicly supported scientific research were not rooted in clear-cut, well-thought-out national policy. The question, "What do we want most to achieve in supporting science?" had never really been met. The approach was largely pragmatic. It was dominated then, as it tends to be now, by a naive total faith in the powers of science to achieve solutions to an infinite variety of questions, many of great social complexity and wholly beyond the powers of science to deal with in isolation. The question so often heard in recent years, "If we could go to the moon, why cannot we clean up our cities at equivalent expense?" typifies this attitude all too well.

The practical result of this underlying approach was a series of compromises which, as time went on, became less and less satisfactory. A key difficulty, and a major compromise of the system, as Don Price has pointed out, was that departments receiving funds from Congress for scientific programs had to justify those grants in terms of the degree to which they would forward the departments' individual missions. Thus almost at the outset, a strong bias toward keeping publicly supported science highly mission oriented – the traditional bias begun almost a century earlier with the agricultural programs – was reestablished.

It was a natural and historical bias. But superimposed on it was the new drive for the support of "pure science." This end was largely met by public grants to the universities, a development that initiated revolutionary developments within the universities themselves (with all the consequent problems as well as successes). In accord with their stated purposes, these university grants were originally intended to require no specific accomplishments by the recipients. However, many grants were made (and continue to be made) on terms that do require such mission fulfillment.

The situation that we face today in the public support of science is one in which mission-oriented programs stand in competition with non-mission-oriented ones (although it must be remembered that the underlying philosophy here is that the non-applied research is likely to lead within the visible future to some fairly specific, though initially undefined, ends). The outcome is predictable: *Wherever basic research activities compete directly with mission-oriented research, the pressures against the basic research programs become, over the long run, extremely powerful unless these programs receive vigorous, effective, and consistent protection* *at both the philosophical and institutional levels, allowing the inner disciplines of the subject to remain in command of the program.*

This evolutionary course has, contrary to usual impressions, been unfolding with publicly supported research programs for a number of years. As early as the 1960s, 90 percent of the federal funds for research and development went into applied areas. And of the fraction devoted to basic research, the predominant part was controlled by departments and agencies that tended to support those programs that would, in their expectations, further their own practical missions, however indirect and distant the results.

There is nothing fundamentally wrong about this approach. Federal support of research functions best in this context – in fact, this is its traditional province. The real danger comes from a widespread lack of understanding of the all-but-inevitable consequences of the amorphous situation that our lack of clear insight has produced. The trend in the public support of science begun 20 years ago has deepened and hardened. In the 1973-74 federal science budget, there has been a further marked shift away from categories in which the recipients of grants are left to determine the ends and means of the research and toward research categories aimed at highly popular, practical, but sometimes unattainable, ends. Funds for the training of graduate students have been strongly curtailed, and even in the National Science Foundation the pressure toward the overt support of mission-oriented research has been growing. This shift from project toward institutional patterns of support has meant, for example, that less than half of the expenditures of the NSF now go into non-mission-oriented science research support. The growth of the program entitled Research Applied to National Needs (RANN) and of other mission-oriented programs provides further evidence of this well-established trend.

The real danger implicit in this development is that academic institutions, which normally provide the bases for our corps of non-mission-oriented research and which have in the past immensely expanded the nation's scientific resources, too frequently find themselves in situations where pressures brought by their federal supporters to move toward practical research may, unless they have unusually skillful management, seriously distort their programs. Over the long haul, this could be a grave development for the nation.

This, in my opinion, constitutes the most powerful of all arguments for continued and vigorous support of science by the private philanthropic sector. It is becoming ever clearer that it is the universities and research institutions with the greatest financial independence and, accordingly, the least reliance on federal support, that are able to bargain most effectively for federal funds and to maintain some real control over the use of those funds.

As for the future, it is difficult to overstate the potential importance of private philanthropy as a critical support mechanism for both research and teaching programs in science. The real value of that support will lie not in its dollar amounts relative to public sector support, but in the leverage that it can exercise in the distribution and the manner of granting of public funds. This is not to suggest, however, that the private sector is a minor factor in the financing of science. Its importance in this respect is readily apparent when examining some current statistics on relative amounts of public and private support in this area.

The Magnitude and Distribution of Public and Private Support

For fiscal year 1973, total private foundation support for science was estimated at $387 million. This represented only 2 percent of the total amount allocated by the federal government for science. However, approximately 16 percent of total giving by private foundations in that year went to science activities, compared with a much lower 7 percent of federal expenditures. More important, private foundations awarded some 68 percent of their science funds to academic institutions, whereas only 13 percent of federal science funds went to such institutions. A large part of the federal funds was channeled to private industrial firms, obviously in support of work that either was, or was interpreted as being, mission oriented.

Almost half (43 percent) of the funds contributed by private foundations to academic institutions went into the training of science personnel; the construction of research and instructional facilities absorbed 36 percent. By comparison, over 75 percent of federal government support to academic institutions went to promote research and development activities, with only 12 percent designated for training programs. The distribution by field of funds for training programs also differed in the two sectors: 38 percent of private foundation support for science training went to the physical sciences, 28 percent to the life sciences, and 18 percent to engineering, while more than 60 percent of the federal dollars went to support training in the life sciences. This large proportion may well be related to the medical and health care programs of the federal government, which are the largest components of federal health care expenditures, amounting to almost 10 times that spent on bio-medical research aimed at combating disease. It is of some significance that in 1972 contributions from the private sector and the public sector in the field of health care and medicine (excluding Medicare and Medicaid) were comparable, amounting to $3.68 billion and $3.70 billion, respectively.

One of the most salient, and perhaps most important, differences in public and private sector support, then, is the much greater relative contribution by the private sector to science education.

A Shared Mission

The deeper reasons for the retention and strengthening of private sector support of science in the years ahead go far beyond statistics. The preeminent interests and capabilities of each sector, while strikingly different, are complementary. Each sector has a distinct mission. The nation cannot prosper without either – carried forward with maximum effectiveness and in collaboration: But in another dimension, the concerns of private philanthropy and of public support compete for the same pool of trained men and women, the more so in recent years, and there is therefore a strong tension between them.

It is, I believe, important for the welfare of the nation that this tension be maintained. To do so requires the continuance of a strong private sector in the support of science. In a broader framework, we have long taken for granted what it means to live in a society in which there is an active private sector operating alongside a public one. Living with it almost as a matter of course, we may not have pondered very deeply the diminution in the quality of our lives that might follow the weakening of private sector support, not only of science but across the whole cultural front; of the poverty of spirit that could result from any substantial reduction in the roles of private foundations, privately supported educational institutions, and independent social and cultural organizations, including research and teaching-training organizations in the sciences.

These are the larger reasons for maintaining the strength of the private sector as a partner of, but also a counterweight to, the public sector. The specific evidence, some of which has been considered in this paper, is highly persuasive. The broader issues deliver a decisive verdict.

THE CHANGING ROLE OF PRIVATE PHILANTHROPY IN HEALTH AFFAIRS

Robert J. Blendon[†]

Introduction

In reviewing the need for private philanthropy we are confronted with the problem of interpreting correctly its future role in light of past experience. This is particularly true in the area of health and medical affairs. The early Nobel prizes in medicine and the biological sciences, the heroic international medical missions, the memories of diseases such as tuberculosis and polio which no longer plague our communities – all serve as reminders of the "golden years" of private philanthropy. But the very success of past philanthropic efforts may inhibit our understanding of present and future needs. Since World War II, societal changes have fundamentally altered the dominant position of private philanthropy in the world of health and medical affairs. The sums spent by the public sector in this area now dwarf those of philanthropic institutions. Yet the need for private philanthropy has not diminished. Indeed, given some of the problems created by public sector support, it may prove to be even more important. The purpose of this paper is to review the changing role of philanthropy in health and to show the importance of maintaining a strong philanthropic sector in American society.

During the last 100 years private philanthropy in health has largely been carried out by three kinds of American philanthropic institutions: local charities, national voluntary health agencies, and private foundations. The earliest form of philanthropy was the local charities (such as the Community Chest), institutional benefit fund drives, and religious welfare groups, which provided funds for the amelioration of pressing local health problems.

The national voluntary health agencies such as the American Cancer Society, the American Heart Association, the National Tuberculosis and Respiratory Disease Association, and the National Easter Seal Society began to appear early in the 1900s and rapidly multiplied after World War I. These agencies were formed in response to the fear and concern shared by most citizens regarding the nation's major killing and crippling diseases. The national health agencies raised money locally but tended to spend it on nationally established priorities.

Simultaneously, a third form of philanthropic organization began to emerge. This was the private foundation such as The Rockefeller Foundation, The Commonwealth Fund, Kellogg Foundation, and The Kresge Foundation. Private foundations, in contrast to the two other forms of philanthropic activity, did not derive their income from annual voluntary donations from individuals but from the earnings of endowments given by a wealthy person or family. As a result of this long-term guarantee of income, those foundations concerned with health tended to concentrate on a broader range of issues than either the local charities or the single-disease oriented national health agencies.

Until the late 1940s, private philanthropy as a whole was the major source of support for the development of the science of medicine and public health and an important force in the distribution of this knowledge to people from all walks of life. This commitment reflected itself in the support for seven kinds of activities: medical research, medical and public health education, development of community hospitals, subsidy of the medical care needs of the poor and near poor, provision of emergency medical relief, programs to improve the health of minority Americans, and provision of technical and financial assistance to the developing nations.

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In the area of *medical research*, private philanthropy built many of the research and treatment facilities, provided fellowships for the training of scientists, subsidized rapidly expanding research programs, and helped to educate the public about the value and need for medical research.

The reduction of deaths from measles, polio, whooping cough, diphtheria, influenza, tuberculosis, and unwanted pregnancies and the reduction of handicaps from blindness, mental retardation, hookworm, deafness, and mental illness resulted in large part from the efforts of local and national philanthropic groups. As new health problems were recognized, volunteer philanthropic health organizations would start the cycle all over again, raising new funds for research, health services, and public education.

In the area of *medical and public health education*, private philanthropy built and developed many of the pace-setting training institutions in medicine, public health, and nursing; provided support for both facilities and curriculum; and provided aid for low-income students. With the aid of private philanthropy, American medical educational centers have become the world's most highly respected health training institutions.

Community hospital development in the twentieth century has been characterized by mushroom-like growth. While the population of the Unite States has more than tripled since 1873, the number of voluntary community hospitals has grown from 150 to 3,300, a twenty-fold increase.[1]

These smaller community hospitals, built in large part by private philanthropy, served the health needs of average American communities. The names of these institutions may not be as nationally known as the great urban teaching hospitals such as Johns Hopkins, Massachusetts General, and Billings, which were also built with philanthropic contributions, but these thousands of local voluntary hospitals became the major focus for their community's medical care needs. By the end of World War I, these institutions were the primary site for handling the most dramatic of human experiences – birth, death, and the alleviation of personal suffering. (Thus, it is not surprising to find that over a third of America's voluntary community hospitals were built under the sponsorship of religious groups of every faith.)

Philanthropy has also been heavily involved in the charitable support of the *medical care of low-income Americans.* Since the turn of the century, when scientific advances made medical care increasingly important, philanthropic groups of every sort have been engaged in a continuing effort to raise funds to keep community health institutions open to Americans from all financial backgrounds.

In many communities, private philanthropy has been the major source of funds behind *domestic emergency medical relief* efforts. Each year more than 60 million Americans are injured as the result of floods, tornadoes, automobile accidents, fires, and accidental poisoning.[2] These human disasters generate a staggering demand for ambulance and rescue services and medical care. Philanthropically supported organizations have played a major role in training millions of persons in first aid and in providing volunteer medical personnel, blood units, drugs, and other medical supplies for the initial care of disaster victims.

American philanthropy has played a special and critical role in responding to the unmet *health needs of minority Americans.* After the Civil War, Americans lost sight of the basic human needs of the newly enfranchised Black citizens. In the health area the issue during this period was much more fundamental than today's question of whether or not Black health facilities and training institutions have been or are "separate and equal." At that time, the question was whether or not there would be any institutions in this country that would minister to sick and ill Black citizens, any institutions that would educate a future generation of Black doctors and nurses, or any institutions that would accept responsibility for providing basic public health services (sanitation, nutrition, infectious disease control) to the Black communities around the country.

During this difficult period, private philanthropy played a small, but vital, role. Over the years many general and sectarian philanthropic organizations gave funds for the development and enlargement of a small number of Black-oriented hospitals, clinics, and medical and nursing schools. In the struggle to establish and support minority-oriented health institutions during the period following the Civil War, various philanthropic groups contributed by sending white health professionals into Black communities, by giving financial support for buildings and the training of Black students, and by subsidizing existing health services programs willing to serve Black Americans.

One of the best known areas of philanthropic activity has been the privately financed efforts to improve *health services in the developing nations.* Private foundations, religious institutions, and other charitable organizations have at one time or another worked in over 80 countries in Latin America, Asia, and Africa and have spearheaded the attack on a wide range of communicable diseases.

Hundreds of American philanthropic organizations have also been involved in programs of nutrition, family planning, biomedical research, the provision of medical and hospital supplies, and the training of indigenous professional personnel for countries experiencing desperate health emergencies and extraordinary unmet medical need.

Private philanthropy, with a relatively limited number of dollars, produced a new generation of medical educators, public health leaders and health scientists who returned to their country of origin with knowledge gained from exposure to American medical and scientific institutions. Philanthropic support both in this country and abroad developed schools of medicine, nursing, and public health and, in particular, groups of physicians who were critically important in meeting the health problems of developing nations.

I

THE CHANGING ROLE OF PHILANTHROPY

The past is not always prologue for the future. While our knowledge of how to prevent, diagnose, and treat diseases has been dramatically improved, we also have witnessed a substantial evolution in our social and economic system. The change in the economic life of the United States from a local, self-subsistent agricultural economy to a modern industrial economy and the urbanization and mobility of our population has changed many things in American life, including the role of philanthropy.

Behind the changing role of philanthropy have been the developments in medical science which added tremendously to the cost of medical research, education, and care. The development of more complicated diagnostic and therapeutic procedures carried out by new types of medical specialists, assisted by substantial numbers of technicians, heavily increased the cost of doing medical care research. Special facilities, expensive equipment, extended training programs – all have become a necessity in modern medical research. Along with this, medical and health professional education improved and increased in duration and expense, as did the need for added investment in buildings, equipment, faculty, and student aid. In addition, hospitals and clinics greatly expanded the quality and scope of their services and their cost to the public.

Running alongside these events was a continuing inflationary trend which has become the hallmark of the health sector. Between World War II and 1960, the

Table 1

National Health Expenditures By Source and Type, Selected Years

(in millions of dollars)

	1930	1940	1950	1960	1970	1973
GNP	$96,700	$95,100	$283,400	$495,600	$976,400	$1,258,200
National health expenditures	3,400	3,900	12,000	25,900	68,100	94,100
Public sector health	513	782	3,065	6,395	28,583	37,554
Federal health	108	178	1,362	2,918	16,598	25,620
State & local health	405	604	1,704	3,478	8,637	12,934
Private philanthropy health	97	56	530	1,070	3,140	3,980
Total private philanthropy	1,474	1,212	4,326	8,910	19,300	24,500

Source: *Social Welfare Expenditures Under Public Programs in U.S., 1929-1966*, Social Security Administration, Research Report No. 25, 1968, Table 3-13; "National Health Expenditures, 1929-1973," *Social Security Bulletin*, January 1973 and February 1974, Table 2. Frank G. Dickenson, *The Changing Position of Philanthropy in the American Economy*, (New York: National Bureau of Economic Research, Inc., 1970), Tables 3-1 and 3-3.

consumer price index rose 3 percent per year, while the medical care component rose 4.2 percent per year. Since 1960, medical care prices have been rising one and one-half times as fast as the consumer price index.[3]

As a consequence, national health expenditures grew between 1930 and 1973 at better than twice the rate of the nation's Gross National Product, and the role of private philanthropy began to change.[4] (See Table 1.)

Looking back, it seems that both the critics and supporters of private philanthropy failed to acknowledge the developments that were taking place in the health field. After World War II, the "dominant" position of private philanthropy in medicine began to change gradually. ("Dominant" is used here to mean the *most visible* resource available to provide financial assistance for *new* projects within a particular field of activity.) The rapid growth of public confidence in medical research and what could be done for patients led to a rise in demand for more public financial support for the health area. The resulting increase in public expenditures began to have an impact on the relationship of private philanthropy to the health field. Over the next 20 years, the public sector began to assume the initiative from private philanthropic institutions. Ideas generated by public sector support were not necessarily better, but by the 1970s federal government expenditures in medical research and health affairs had exceeded private philanthropic efforts almost sevenfold.[5] Thus, although more private philanthropic funds were being raised each year, the "dominant" role of these funds had gradually changed. This change can be seen in Tables 2, 3, and 4.

Table 2

Percentage Distribution of National Health Expenditures by the Federal Government and Private Philanthropy, 1930, 1950, and 1973[a]

	1930		1950		1973	
	Private Philanthropy	Federal Government	Private Philanthropy	Federal Government	Private Philanthropy	Federal Government
National Health Expenditures	2.8%	3.2%	4.4%	11.4%	4.2%	27.2%

a. State and local government, private insurance, and out-of-pocket expenditures account for the remaining percentages of national health expenditures.

Source: U.S. Department of Health, Education and Welfare, Social Security Administration, *Social Welfare Expenditures Under Public Programs in U.S., 1929-1966*, Research Report No. 25, 1968, Table 3-13; Frank G. Dickenson, *The Changing Position of Philanthropy in the American Economy* (New York: National Bureau of Economic Research, Inc., 1970), Tables 3-1, 3-3.

As Tables 2 and 3 illustrate, in 1930 philanthropy was spending nearly as much as the federal government in health. By 1973, philanthropic expenditures were only 16 percent of federal outlays. Put another way, the federal government had, in its spending, gone from parity with philanthropy to the point at which it was spending six and one-half times as much money as philanthropy in the health field.

Table 3

Philanthropic Expenditures in the Health Field as a Percent of Federal Government Health Expenditures, 1930, 1950, and 1973

Year	Philanthropic Expenditures as a Percent of Federal Expenditures
1930	90%
1950	39
1973	16

Source: U.S. Department of Health, Education and Welfare, Social Security Administration, *Social Welfare Expenditures Under Public Programs in U.S., 1929-1966*, Research Report No. 25, 1968, Table 3-13; Frank G. Dickenson, *The Changing Position of Philanthropy in the American Economy* (New York: National Bureau of Economic Research, Inc., 1970), Tables 3-1, 3-3.

Table 4

Philanthropic Expenditures for Medical Research and Health Facilities Construction as a Percent of Federal, State, and Local Government Expenditures for these Activities, 1930, 1950, and 1973

Year	Philanthropic Expenditures as a Percent of Government Expenditures
1930	97%
1950	42
1973	28

Source: Estimates based on unpublished data provided by Barbara Cooper, Division of Health Insurance Studies, Social Security Administration, and Daniel P. Bourque and Rory Redondo, "Comparison of Federal Government Expenditures and Private Foundation Grants for Health and Health-Related Activities for Fiscal Year 1973," (Washington, D.C.: National Planning Association, 1974), unpublished report.

In Table 4 we can see the changing relationships between private philanthropy and governmental expenditures in the fields of medical research and health facility construction. In 1930 philanthropy spent nearly as much as all federal, state, and local government agencies in the fields of medical research and health facility construction. By 1973, philanthropic expenditures in these two areas were only 28 percent of governmental outlays, and all units of government were spending three and one-half times as much as private philanthropy.

Similar changes were taking place in the field of medical education. By the 1970s, approximately 60 percent of the support for the nation's medical schools was coming from the public sector.[6] Similarly, in the area of aid to developing nations the federal government in 1973 spent $178 million for medical assistance alone,[7] compared with the $105 million spent by CARE for international relief efforts in all fields, including health.[8]

Obviously, the quantity of dollars spent by private philanthropy can never accurately portray the real contribution made by the thousands of volunteers, trustees, and professional staff members working within American philanthropic institutions, but the expenditure patterns clearly reflect a shift in philanthropy's role in the health field.

II

PHILANTHROPY TODAY

In 1973 the people of the United States expended some $94 billion for personal and public health services, about 15 percent more than is currently spent on national defense.[9] Only 4.2 percent, or $4 billion, of the $94 billion figure was provided by the thousands of private philanthropic contributions.[10] (See Table 5.)

Table 5

Support for Total Health and Selected Health Categories
By Source of Funds, FY 1973
(in millions of dollars)

	Foundations	Total Philanthropy	Federal Government	Total National Expenditures
Total health expenditures	$732[a]	$3,980[a]	$26,130[a]	$94,070[b]
Research	73	220	2,003	2,277
Medical facility construction[c]	74	730	497	4,231
Financing health services[d]	279	2,250	22,157	87,562
Endowment	-	780	-	-

a. Includes all functional categories in health.
b. Includes only health services, research-and construction-related health outlays for both public and private sources.
c. Excludes construction support for health education facilities, research facilities, and environmental facilities.
d. Includes health care services, prevention and control activities, other public health programs, improving the organization and delivery of health services, and support to national health agencies.

Sources: Foundation figures represent estimated obligations derived from health study sample; total philanthropy based on 1973 unpublished data from American Association of Fund-Raising Consel, Inc.; federal expenditures obtained from an analysis of the Federal Health Budget, 1969-1974, National Planning Association, 1973; and national expenditure data from "National Health Expenditures, Fiscal Years 1950-1973," Social Security Bulletin, March 1974.

Based on patterns of giving to private philanthropy in general, the $4 billion of philanthropic contributions in health care were derived primarily from three sources: individual donors, who provided approximately $3.16 billion (or 79 percent); foundations, which provided $732 million (or 18 percent); and private corporations, which contributed $108 million (or 3 percent).[11]

Table 8

National Health Care Expenditures By Function, FY 1973
(in millions of dollars)

		Philanthropy[a]			
	Public	Foundations[b]	Other	Other Sources	Total
Health services and supplies	$34,009	$ 53	$1,070	$51,925	$87,057
Hospital care	19,249	17	451	16,483	36,200
Nursing home care	2,223	NA	27	1,485	3,735
Physicians, dentists and other professional services	12,537	36	592	[illegible]	47,627
Research	2,057	74	146	-0-	2,277
Construction	1,488	74	1,296	1,373	4,231
Total	$37,554	$201	$2,512	$53,298	$93,565

a. Estimates obtained from Barbara Cooper at Social Security Administration.
b. Estimates based on Daniel P. Bourque and Rory Redondo, "A Comparison of Federal Government Expenditures and Private Foundation Grants for Health and Health-Related Activities for Fiscal Year 1973," (Washington, D.C.: National Planning Association, 1974).

The bulk of the $4 billion donated by private philanthropy tended to be given as financial assistance to two groups of institutions: (1) nine types of nonprofit, nongovernmental medical service institutions – the 3,300 community hospitals, 270 psychiatric and other special disease hospitals, 1,150 nursing homes, 2,000 neighborhood health clinics, 500 free-standing mental health clinics, 2,300 free-standing family planning clinics, 4,300 volunteer ambulance services, 800 home nursing agencies, and 50 independent medical laboratories, and (2) the nation's 110 university medical centers for educational programs, medical research, and medical care services.[12]

From an economist's point of view, today's philanthropic dollars in health are expended for two types of purposes. The first is what is often described as "capital goods," or those projects that increase the productivity capacity of the health system for the future. An example of a "capital good" would be support of a new medical education program or a new medical research building. The second type of expenditure is often termed a "consumptive good," a project that maintains or satisfies a health care need of today. An example of a "consumptive good" expenditure would be the subsidy of a center for the mentally retarded or a nursing home, for the purpose of providing more responsive, humane care to patients.

The importance of understanding the difference between these two types of charitable gifts relates to the fact that certain kinds of philanthropic institutions make predominantly "capital goods" grants, while others make predominantly "consumptive goods" awards. As a general rule, private foundations such as Kellogg, Commonwealth, Kresge, or The Robert Wood Johnson Foundation expend most of their funds in "capital goods" grants, namely for projects that encourage the long-term improvement of the health care system. These types of investments are often paralleled by the large national research agencies such as the American Cancer Society or the American Heart Association which expend considerable amounts on long-term health research and the training of medical scientists.[13]

Private foundations, because they do not have the direct yearly pressures to raise funds, are thus better able to concentrate on the longer-term problems. A study prepared for the Filer Commission by the National Planning Association shows that 89 cents of every private foundation dollar goes toward long-term efforts to improve our health care system, such as projects to improve the organization and delivery of health services, manpower training, medical research, and health facility construction. In contrast, the bulk of federal expenditures in health (79 cents of every dollar) is support for existing health service activities, with only 18 cents going towards the support of long-term development activities. (See Table 7.)

Table 7

A Comparison of the Allocation of the Private Foundation Dollar and the Federal Dollar in the Health Field, FY 1973

Type of Expenditure	Foundation Dollar	Federal Dollar
Investment		
Research	$ .10	$ .08
Manpower	.26	.04
Construction	.26	.04
Improving organization & delivery system	.27	.01
Consumption		
Financing provision of services	.04	.79
Prevention/control activities	.02	.04
General support to health institution/agency	.05	--
Total	$1.00	$1.00
Total Spending (in millions)	$626	$26,130

Source: Michael S. Koleda, Daniel Bourque, and Randall Smith, "Foundations and the Federal Government: A Look at Spending Patterns," (Center for Health Policy Studies, National Planning Association), paper prepared for the Commission on Private Philanthropy and Public Needs.

Thus, private foundations, which provide about 18 percent of the philanthropic support in the health field, are atypical of most funding agencies since the bulk of their expenditures go for longer-term, "capital goods" projects.[14]

Most of our well-known nonfoundation philanthropies, such as the United Way or the American Red Cross, expend the bulk of their resources on "consumptive goods."[15] Basically, this is support for the ongoing operation of the approximately 25,000 voluntary health agencies which, year in and year out, provide basic health services to their local communities (visiting nurse associations, voluntary ambulance services, centers for the treatment of the mentally retarded, for example).

Today 57 percent of all federal, state, and local government health dollars go for the payment of hospital and nursing home care; in contrast, 61 percent of all nonfoundation philanthropy goes to address health needs other than those connected with the ongoing support of hospitals and nursing homes. Nonfoundation private philanthropy also supported 31 percent of all health facility construction carried out in this country in 1973. Approximately half of this figure was expended for non-hospital-related health construction needs.[16]

Without private philanthropic support, the thousands of out-of-hospital, community-based health services in mental health, neighborhood health care, and family planning and the voluntary ambulance and visiting nurse services could not survive. The role of private philanthropy in supporting these critically needed community service institutions has been important for three reasons.

First, substantial numbers of people who are poor or near poor are not covered by existing governmental insurance programs (Medicare and Medicaid), and therefore cannot pay for the full cost of the services they need. In 1975, there will be 29.5 million people living below the poverty line and another 4.5 million who are classified by the federal government as being near poor (people who have incomes of less than 25 percent above the poverty level). Approximately one quarter of the total 34 million low-income people will not be covered by the Medicaid or Medicare programs.[17] Funds from philanthropy are badly needed to subsidize care provided to these individuals.

Second, existing government insurance programs – Medicare and Medicaid included – generally do not adequately cover health services provided on an out-of-hospital basis. As Table 8 shows, Medicare now pays over 40 percent of the total cost of medical care for the aged, but the extent of financial coverage differs markedly for non-hospital-based services and is generally inadequate. Thus, private philanthropy provides the only source for subsidized care for these individuals when out-of-hospital services are required.

Table 8

Percentage of Medical Care Outlays for the Aged Paid by Medicare, by Type of Service, 1973

	1973
Inpatient hospital care	60.9%
Physicians' services	52.8
Other professional services	22.9
Nursing home care	6.5
Other health services	3.8
Total	40.3

Source: U.S. Department of Health, Education and Welfare, Social Security Administration, Office of Research and Statistics, *Research and Statistics Note* (March 27, 1974), DHEW Pub. No. (SSA), 74-11701, p. 3.

Third, most moderate-income people do not have adequate out-of-hospital health insurance coverage. There are approximately 11 million Americans whose incomes are slightly above the near-poor level but below the $5,000-a-year family income level. The tight family budgets of this working population make it very difficult for them to meet the uninsured costs of illness, and local voluntary health agencies often bear the cost for such individuals who require out-of-hospital services. For this group the benefit structure of current private health insurance is a particular problem since it only provides limited coverage for out-of-hospital services. (See Table 9.)

Table 9

Percent of Personal Health Care Expenditures Actually Met by Private Health Insurance, by Specific Services, 1973

Specific Service	Percent of Charges Covered by Private Insurance
Inpatient hospital care	78.1%
Physician services	45.3
Drugs, dentistry, home care, nursing homes, and other services	6.7

Source: Marjorie Smith Mueller, "Private Health Insurance in 1972: Health Care Services, Enrollment, and Finance," Social Security Bulletin (February 1974) DHEW Pub. No. (SSA), 74-1170, p. 38.

It is evident from the foregoing discussion that private philanthropy has come to play a different role from the one it enjoyed prior to World War II. With 64 percent of all personal health care expenditures now coming from private insurance payments and governmental expenditures, with 90 percent of all medical research expenditures now funded by government, and with 69 percent of all health facility construction costs now derived from private business loans and governmental grants, private philanthropy plays a less visible but paradoxically an increasingly important role in the health field.[18]

Private philanthropy provides critical early support and legitimacy for those long-term projects seeking public sector funding or private loan support. Examples would include matching funds for new health care and medical research facilities and planning funds for new educational and research programs.

It allows the initiation of research and demonstration projects in areas beyond the range of current governmental policies. The development of new kinds of health manpower, such as physician's assistants, or the testing of new ways for delivering medical care, such as the use of out-of-hospital surgical centers, are examples of important experiments supported by private philanthropy.

Private philanthropy often supplies the "critical glue" required to underwrite the losses of hospitals and clinics which serve low-income and poor patients without adequate governmental or private insurance coverage. It also has been the principal supporter of most community sponsored out-of-hospital medical service programs not generally underwritten by private insurance or public funds.

Finally, a large army of volunteers provides a vital link between health agencies as professional institutions and the community at large. It should be kept in mind that over 30 million individuals serve as volunteers in thousands of health agencies across the country. In hospitals, alone, one million individuals volunteer their time each year. Indeed, donated labor provided the equivalent of about 2 percent of the hospital work force, or a contribution of approximately $123 million to our nation's hospitals.[19] Volunteers see the problems face-to-face, know the local leadership, and learn to understand the future health problems facing their communities. As a result, volunteer involvement helps to avoid one of the clearest dangers in modern society –progressive detachment from and loss of citizen participation in the institutions that affect people's lives.

III

HEALTH PHILANTHROPY TOMORROW

All evidence suggests that we are likely to see a growing reliance on public funds for the support of general health and medical affairs in the United States. By the mid-1980s we can probably expect to see over 50 percent of all national health expenditures derived from the public sector, with the bulk of the remaining funds coming from a heavily public regulated private insurance industry.

The concomitant concentration of authority by government over the country's health affairs is likely to restrict sharply America's long-term capacity to respond swiftly to changing needs or changing technology which affect health care for citizens. Without the moderating effect that flexible philanthropic funds can provide, certain of the tensions arising out of the limitations of the public sector process will become apparent.

First, public sector decision making tends, of necessity, to move slowly and generally along traditional lines. It generally relies heavily on established interest groups for advice. This makes it very difficult for new or untested ideas to gain support.

Second, our tripartite division of powers – legislative, administrative, and judicial – complicated by a federation of states, makes it extremely difficult to arrive at a general consensus that a particular new health program or approach should be attempted. Thus, many worthwhile ideas will never see the light of day without private sources of support for their planning and testing.

Third, the extraordinary costs of financing health services and the difficulty our government faces in raising additional tax revenues will often prevent it from moving aggressively to update the standards of medical care, particularly when such improvements may have substantial cost implications.

Fourth, the shifting of the responsibilities for health financing from the local community to state and federal levels will substantially decrease opportunities for individualized, locally tailored initiatives in the health area to emerge.

Lastly, because of America's historical tradition, the public sector cannot respond to very legitimate desires to have health services provided under special religious or ethnic auspices or to serve particular groups, such as Jewish nursing homes, Catholic hospitals, Salvation Army clinics, or the like.

Because of these very real limitations that are inevitably a part of the public sector process, it will be in the public interest to encourage the continued tax exemption of philanthropic gifts in the health field. A major strength of our nation is the active participation of multiple groups in our public affairs. It seems particularly important to preserve and foster pluralistic sources of support in the health area.

It is not enough for Americans to recognize the need for long-term change and evolution in our system for developing medical science and applying it to the health concerns of our citizens. We must have an institutional climate that can make such changes possible. It is around this issue that the case for private philanthropy in health rests. Without a viable philanthropic sector in health, all future innovations, new ideas, and scientific theories would have but one possible source of support – the relatively centralized public sector which is not designed for such a role.

If we were much smaller geographically, if we had a more homogeneous population, if we had a stronger record of public sector performance in domestic areas, or if problems of developing and applying modern medical science were less complex and more easily understood by the public at large, governmental support of health affairs might suffice. However, there is much to suggest that to moderate the growing centralization of authority in government, the public interest is best served by having alternative sources of modest support for new ideas and projects. A new idea stands a better chance of survival in a social system with many points of initiative and decision. With private philanthropy, a hundred independent agencies can reject a potentially important new idea, but one can still support it.

America is strikingly heterogeneous in its health needs, values, and perceptions. The great variations in geographic, religious, and ethnic background which exist across this country reflect themselves in the types of diseases people experience, in their behavior towards illness, and in the kinds of health institutions they require to meet their needs. Such differences cry out for some flexibility in the way we support our health activities.

The availability of support from thousands of independent philanthropic sources – individual donors, corporate givers, and private foundations – provides a safety valve for pressures that the public sector cannot easily address.

Because the public sector decision-making process is slow and easily influenced by established health interest groups, there will be a critical need for private sources of support which can encourage those who wish to experiment with new ways of delivering medical care or training health professionals. The development of the early prototypes of both the health maintenance organizations and the physician's assistance programs would never have surfaced if they had required prior public sector consensus and support. If the health care system of the year 2000 is not to look like the health care system of today, flexible sources of support must be made available.

Public sector agencies are and will continue to be under pressure to expand the scope of their health programs while at the same time controlling their budgets. While the control of costs is a critical problem for all sectors of society, the overriding concern about cost on the part of government may force it to ignore the pressing need to continue to advance the standards of medical care. This dilemma was realistically described by a senior official of the National Health Service in Britain: "I think it is impossible to provide an adequate service within existing resources unless a limit is put on the standard of service at the present time. That is a vital statement. We have been through three phases in our expenditure in the health services. To start with, we had 'money as requested' if you like to put it that way; secondly, 'money as required'; and thirdly, 'not enough money'."[20] As a result, the responsibility will increasingly fall to the private sector and to philanthropy to continue to pursue this goal by encouraging better professional training, more sophisticated research projects, and research into still "unrecognized fields" of biomedical science and by establishing more technologically advanced methods for treating disease.

One of the special services which philanthropic health institutions can perform is that of encouraging external assessment of public sector performance in areas of public concern and education of the public about important issues in health. With so many different governmental programs in existence, the public at large often knows little about government activities in special fields of interest. Philanthropic health organizations can and often do serve as the "ombudsman" for the public by supporting studies and special commissions to examine how well we are meeting national objectives in a particular area or how our performance might be improved. In addition, many voluntary health organizations, frequently assisted by private philanthropy, often represent the public interest at legislative hearings. It is their board members, volunteers, and professional staff who explain the community's unmet health needs to legislatures. These are the groups that can help governmental agencies understand problems like the impact of the reduction of governmental support for community mental health centers or the need to upgrade conditions in veterans hospitals for Vietnam veterans.

At the local level, private philanthropy is particularly well adapted to respond to several kinds of needs which often cannot be addressed by the public sector. It can assist in support of health programs for religious and ethnic groups, migratory workers, and racial minority groups. It can subsidize community health services projects that are beyond the limits of private and public insurance programs (such as volunteer ambulance services, mental health and family planning clinics), and it can help underwrite the costs of care for the local poor and near poor not covered by government programs.

Even with the growing role of government, these very special local needs will remain with us. Private philanthropy will be needed in the future to even out some of the inequities which will invariably occur between different communities and to respond to the health needs of groups too culturally different to gain adequate public sector support.

Americans seem to recognize that in an area with as many unknowns as are found in medical science and in the treatment of human desease, this country requires multiple and alternative sources of support and alternative ways of approaching problems. Only by having a set of institutions free to pursue courses different from those required of government can we be assured that we are protected from the errors that cannot be avoided with an increasingly centralized decision-making process.

Perhaps because of this, Americans have allocated more and more of their personal philanthropic giving to the fields of health and medicine. In 1930, when public sector expenditures were 15 percent of national health expenditures, 7 percent of the private philanthropic dollar went for health concerns. This has risen progressively to 12 percent in 1950 and 16 percent in 1973. In terms of dollars, contributions have increased from $94 million in 1930 to $4 billion in 1973.[21]

Responses to opinion polls also reflect strong public support of the continuing private philanthropic support of medical programs. In a 1972 Gallup Poll, Americans were asked what types of projects they favored for support by philanthropic organizations. Of the 22 possible choices, preventing drug abuse ranked first, support for hospital and health clinics second, and studies and experiments with new health care plans ninth.[22]

At present the role of private philanthropy in our society is under serious attack. The pressing need to alter our current tax structure in order to achieve more equity in our society has led some to propose that those incentives that encourage private gifts to organizations such as national health agencies and local charities or the establishment of private foundations be sharply reduced or totally eliminated. Others maintain that ending pluralism in funding sources would have serious negative consequences in an area as important as health. These are important differences in opinion, and they need careful consideration. One approach focuses on equity, the other on societal balance. In the years ahead, citizens of the United States will have to make a choice between these two courses.

Personally, I believe that multiple strings to the bow are preferable to one. If the unique alternative sources of support represented by private philanthropy are lost to our nation, it seems unlikely they could be resurrected. Their preservation seems not only wise for the security of those who feverently believe in private initiative, but also prudent even for those who doubt their importance. As we move into an increasingly complex and uncertain period of history it seems wise to preserve our pluralistic options. If we look back at the successful history of medical philanthropy and look ahead to some of the future issues facing the health sector, which have no clear monolithic solutions, I firmly believe that we will find that it is very much in the public interest to encourage a viable philanthropic sector.

Appendix

Table A-1

The 15 Largest Annual Expenditures Within the United States
By Private Foundations in the Health Field, 1973

Foundation	1973 Expenditures in the Health Field
Robert Wood Johnson Foundation	52,495,729
Ford Foundation	27,753,204
W.K. Kellogg Foundation	11,819,177
Fairchild Foundation	7,500,000
Duke Endowment	6,889,369
Andrew W. Mellon Foundation	5,575,000
Kresge Foundation	5,140,000
Commonwealth Fund	4,063,423
Richard King Mellon Foundation	3,635,008
Rockefeller Brothers Fund	3,011,500
Moody Foundation	2,101,040
Max C. Fleischmann Foundation	1,604,090
Lilly Endowment	1,317,995
Edna McConnell Clark Foundation	1,316,710
Bush Foundation	1,290,716
Total	$135,512,958
The percent of all foundation expenditures in health represented by these 15 foundations	18%

Source: Foundation Center, New York, unpublished data, 1974.

Table A-2

The 22 Largest National Health Philanthropic Agencies in 1973

Agency	Amount Raised in 1973
American Cancer Society, Inc.	93,014,000*
American Heart Association, Inc.	54,475,000
National Tuberculosis & Respiratory Disease Association (American Lung)	43,811,000
The National Foundation	42,692,000
National Easter Seal Society for Crippled Children and Adults	33,250,000*
National Association for Retarded Children	22,615,000*
Muscular Dystrophy Associations of America, Inc.	20,571,000
The American Red Cross	20,000,000
United Cerebral Palsy Association, Inc.	18,033,000
Planned Parenthood Federation of America	16,620,000
National Association for Mental Health, Inc.	13,255,000
National Multiple Sclerosis Society	12,125,000*
The Arthritis Foundation	10,486,000*
National Cystic Fibrosis Research Foundation	7,000,000
Leukemia Society of America	6,427,000
National Kidney Foundation	5,628,000
Epilepsy Foundation of America	4,016,000*
National Society for the Prevention of Blindness, Inc.	2,668,000
National Council on Alcoholism	2,675,000*
American Foundation for the Blind	2,342,000
Damon Runyon Memorial Fund for Cancer Research	1,504,000
Recording for the Blind	1,272,000
Total	$434,429,000
The percent of all nonfoundation philanthropic funds represented by these 22 agencies	13%

*Estimated

Source: American Association for Fund-Raising Counsel, Inc., Giving USA, 1973 (New York, 1974).

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Footnotes

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2. U.S. National Center for Health Statistics, *Health Statistics from the U.S. National Health Survey; Vital Health Statistics*, Series 10, No. 72.

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13. American Cancer Society, *Annual Report*, 1973 (New York: American Cancer Society), and American Heart Association, *Annual Report*, 1973 (New York: American Heart Association).

14. Foundations would also appear atypical in their expenditure priorities when compared with state governments. In a 1974 unpublished study done by Haldi Associates of New York, the expenditure priorities in health were analyzed for the State of New Jersey. The results show

that the New Jersey government currently expends 84 percent of its budget on the ongoing financing of medical care services and only 1.5 percent of its budget on medical research, 5.2 percent on health manpower training, 5.1 percent on health facility construction, and 4.2 percent on prevention activities.

15. American National Red Cross, *Annual Report, 1973* (Washington: American National Red Cross).

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SOME ASPECTS OF EVOLVING SOCIAL POLICY IN RELATION TO PRIVATE PHILANTHROPY

Wilbur J. Cohen[†]

Introduction

Today one fourth of the total federal budget is allocated to the Department of Health, Education and Welfare, an agency that did not even exist a generation ago. This large assignment of funds is a clear indication that the public sector is assuming a steadily increasing role in providing social services; as this process continues, the function of private philanthropy will need to be redirected if it is to realize the challenge and the promise ahead.

Several straws in the wind indicate that there is a vital need for philanthropy to adopt a new role. Some of the more significant indicators are these:

- An emerging philosophy that potential social problems can best be dealt with at an early stage, before they become serious; that an ounce of prevention is more economical and results in less individual or social trauma than the pound of cure;
- A blurring of distinction between public and private sectors, caused by a growing trend of government to contract with private agencies for the delivery of services;
- The increasing need for a more coordinated delivery of services so that aid to an individual or family is given in a total package rather than in fragmented components which are dependent upon the narrow responsibilities of single agencies;
- A growing recognition that there are many persons in need who are able to pay some of the cost for social services but are denied access to these services because of their ability to pay. (Adoption, child care, and aid to the aging are examples.)
- Recent changes in the Social Security Act (Title XX) allowing the federal government to make basic cash payments to state governments, which in turn generate their own service programs to meet the indigenous needs of their various communities.

In response to these signs of change – some minor and some major – new roles for private philanthropy can and must evolve. At the local level, for instance, private agencies can make small grants, with relatively strong assurance of positive results, by drawing on and duplicating the results of experiments and demonstrations conducted by major foundations or government or the experiences of demographically similar communities.

Private philanthropy can serve as the reformer or preserver of both public and private institutions, keeping them sensitive to changes in clientele and needs. It can also oversee and evaluate services delivered by public and private agencies. As services continue to be provided in a more monopolistic fashion by government, the need for a watchdog function to be performed by a knowledgeable, critical external agent will increase; private philanthropy can fullfill this function.

The combined efforts of the public and private sectors should be coordinated to create maximum productivity. To do so, an informational clearing house should be established now. It is also essential that a Council of Social Advisers be created to conduct continuing analyses of the nation's social health – a role comparable to that of the Council of Economic Advisers. By establishing and applying a meaningful set of social indicators, the council could advise the President, the Congress, and the American people on trends in key areas such as mental health, day care services, and the status of special groups such as unattended older persons, the handicapped, runaways and abused children. The recently created Congressional Budget Office would likewise benefit from the work of such a council in channeling economic and social policy recommendations to the Congress.

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Equally important is the need for a mechanism that would correlate public and private expenditures according to an acceptable classification of needs. Such a mechanism would facilitate national planning by both sectors in concert and thus move our country toward the goal of optimal utilization of scarce resources to meet the needs of all the people.

I

SOCIAL POLICY AND PHILANTHROPY

Americans rarely visualize social policy as the progenitor of philanthropy. If most of the nation's significant social programs were studied in retrospect, however, it would be seen that they were fostered and implemented by private voluntary organizations long before they became part of government. Medicaid, for example, was preceded by a long history of cash payments by such organizations either to health delivery agencies or directly to the individual. Day care was largely a venture of religious, charitable, and volunteer agencies and is now becoming increasingly accepted as an object for public funding, through Headstart, manpower training programs, and HEW Social Services. Volunteer groups have also been responsible for generating and achieving a number of major social advances, including "the abolition of slavery and of child labor, women's suffrage, the civil rights movement, [and] the recent consumer and ecology movements."[1]

Philanthropic organizations have rendered valuable services as forerunners and catalysts of social policy and programs. Often, they are motivated to take on causes that may currently be unpopular or unacceptable or to work with groups outside the mainstream of broad public awareness – areas where government fears to tread. By instituting innovative projects or by providing services in such areas, they have called attention to neglected needs, demonstrated how to meet these needs, aroused public awareness and conscience, and thus set the stage for the formulation of public social policy and legislation to meet those needs on a more universal scale. "This is how a democracy works. The Founding Fathers could take the bold step of designing a nation truly governed by the people only because there was, even in the 1780s, a history of responsible voluntary citizen action."[2]

Public policy has in turn affected philanthropic groups in several ways: Tax laws impose controls on foundations and at the same time spur contributions from individuals and corporations; government agencies at various levels have found it feasible to contract with voluntary organizations to provide social services for eligible clients; and government has encouraged foundations to undertake work in areas which, for one reason or another, are untimely or improper for government to enter.

As social action and programming gear up to meet the needs of citizens in the last quarter of this century, the efforts of private philanthropy and government will converge and grow. Whether the results of these efforts will lead to improvement in the well-being of all people will depend on our understanding needs as they emerge and on the directions society agrees it should take in addressing them.

Trends in Social Policy

Predicting the future is often risky, but it is occasionally essential. Uncontrollable variables always exist to corrode long-range forecasts, but it is useful to monitor trends that lead to a wedding of public social policy and private philanthropy. A notable trend in recent years has been a change in the image of social services as providing only for the poor.

The traditional view of social services is that they provide aid to the poor in the form of cash payments or free professional assistance. The emphasis on the needs of the poor was appropriate in the past; those with higher incomes could find social and psychological solutions for their problems in the "establishment" of which they were an integral part. But with greater mobility and the isolation and alienation that comes with a growing urban and technological society, the use of an arbitrarily defined poverty line as the criterion of eligibility for social services makes increasingly less sense. Some services available only to the poor are equally needed by persons with higher-than-poverty incomes. Even when middle- and lower-middle-income individuals can and want to pay for these services, there is frequently no convenient way for them to do so. The need of the non-poor is particularly acute for assistance such as day care, adoptions, care for the elderly, and drug counseling.

This anomaly is recognized in Title XX of the Social Security Act. (See Appendix A for a brief summary of this legislation's principal provisions.) Although the lion's share of the $2.5 billion authorized each fiscal year to be appropriated for this social services program and allocated to the various states goes to the poor, two features of the legislation are addressed directly to the needs of the non-poor: Information and referral services are to be made available to any citizen, regardless of income; and services may be provided to any individual or family whose income does not exceed 115 percent of the median income of persons in that particular state. In most instances, the figure exceeds the established poverty line.

Another example of our increasing recognition of the need to provide services for the non-poor is found in the day care and early childhood development bill introduced by Senator Walter Mondale (D-Minn.) and Representative John Brademas (D-Ind.) which would provide for social services to families with incomes above the poverty level and allow payment on a sliding scale of ability to pay.

It is likely that persons with higher incomes will avail themselves of these services as they become available. Americans have come to accept free services, regardless of their income, in areas such as education, library services, and Medicaid. Adoption services, although dedicated only to finding good homes for adoptive children, often simultaneously serve the needs of higher-income families who are seeking a child. And services are often required by the aged, regardless of their income. As these services are utilized, their acceptance will serve to make them commonplace for middle-class families.

As public contracts for services from private agencies expand, any real or imagined stigma that may have been associated with publicly offered services is likely to dissipate, depending, of course, on the environment in which the services are made available. The long-term trend toward private and public agencies offering services to all citizens regardless of income seems irreversible because it has finally been recognized that practically everyone at some time may need or want some form of social service help.

Preventive Services

Social services have traditionally been geared to relieve or rehabilitate people with diagnosed needs. In the area of health, and to some extent in the area of education, however, society is finding it more costly to treat problems than to prevent or forestall them. As the costs of social services escalate, the view that prevention should take precedence is becoming increasingly popular with social policy makers. We now also realize that providing services to the aging in their own residences is less expensive than maintaining these people in nursing homes, and programs for the elderly such as Meals on Wheels, telephone checks, and caretaker services are being extended to greater numbers of persons in many communities. Similarly, hotlines for adolescents, which are ready to deal on a 24-hour basis with drug, abortion, or runaway problems, are reaching young people before they commit suicide or become the victims or perpetrators of street crimes.

This philosophy of prevention combined with improved services promises better total performance in the future. Prevention of community, social, or individual problems, as opposed to dealing with them after they arise, promises a more enlightened approach and a more effective method of realizing the purpose of social services in the next decade. The time is now right and the demands are pressing for the expansion of early childhood diagnosis, treatment, day care, and education services, adult day care and caretaker assistance, improved ways of meeting the special needs of minority and ethnic groups, and improved methods of providing emergency social services through hotlines, abortion clinics, drug centers, and the like. It may well be that the 1980s will become known as the decade of social action, just as the 1960s was the decade of concern about education and the 1970s has highlighted health and environmental problems.

The Need for Private Voluntary Organizations

As already noted, it has been the American practice to create public agencies to meet a particular need after positive public reaction was generated and project feasibility demonstrated. The growing public support for welfare and other social services is readily apparent in the increased proportion of public spending for them in the past 20 years. In 1955, private philanthropy accounted for 47 percent of total expenditures for social services; in 1974, the public sector accounted for 86 percent of the total.[3] It might be argued by some that the margin left to the private sector (14 percent) is so small that the public sector should pick up the entire tab, estimated at $20.3 billion in 1974.

The fact is, however, that there are critical reasons for maintaining a vital balance of public and private support for human services, not the least of which is the continuing task of innovating in areas where public agencies lack knowledge or are reluctant to venture. There is always a need for experimentation with new types of services and with new ways of improving those services that already exist. The private sector is especially adept at innovation and at providing the models that government needs. It is the private agencies that usually spot trends and suggest remedies based on changes and shifts in society – the identification of minority needs before the 1960s and, more recently, the plight of runaway children, to name only two examples.

Another compelling reason for the bi-sector approach is that it gives citizens a choice between receiving assistance from publicly or privately administered organizations. The fact that there is a choice encourages competition between these organizations, and healthy competition promotes efficiency and concern for the consumer. The likelihood of complacency in the public and private sectors is thus reduced. Concomitantly, the danger of government control of individual citizens is diminished to the extent that privately operated facilities remain available.

Furthermore, private organizations are not bound by rigorous bureaucratic machinery; they therefore have the potential to address emergency needs more quickly and with a degree of flexibility not common to government. More mobile and more able to locate a need quickly, they are, quite simply, more accessible in less time.

Lastly, there is a bonus cumulative effect from diverse sponsorship. Private agencies help to keep public agencies more responsive and creative by initiating new approaches and methods. And public investment permits private organizations to expand their services.

The future portends new trends of closer relationships between private and public agencies which are likely to blur even further the lines between them. In at least one locally developed plan, for example, it has been proposed that monies available to a community from either one or both sources be pooled to provide integrated, comprehensive services to meet total individual and family needs. Under this concept, called the Greater Hartford (Conn.) Process, each city or community has a community life association (CLA), "a central agency using public and private funds to buy social services for its citizens." The plan is intended to "reduce the present uncoordinated system in which persons in need of social services must shop among 500 agencies, often without finding the help they need." Provisions include a system for the CLA to pool most public and private social service dollars (whether from the state department of public welfare, community chests, local agencies, or other sources) and to provide multiple entry points for people in need. Services cover the range of problems, from addiction to learning difficulties and from family planning to housing.[4]

Financing to Meet Demand

Changes in the present system of social services can be expected to result from several significant new elements embodied in Title XX of the Social Security Act, among which are the following:

Expanded eligibility. Restriction of eligibility to current, former, or potential recipients of welfare cash assistance is eliminated from current law, and the base for service eligibility is broadened accordingly. While no less than 50 percent of the federal share would go to persons or families who are eligible for AFDC, SSI, or Medicaid, the remainder may be used for services to persons eligible solely on the basis of income criteria. The maximum for services under Title XX is a comparatively generous 80 percent of a state's median income.

Although states may, under Title XX, provide services on a fee basis to persons with incomes between 80 percent and 115 percent of the median, they can also charge fees to families, including public assistance recipients, whose incomes are *below* 80 percent of median, if such fees are in accord with regulations issued by the Secretary of Health, Education and Welfare.

Predesignated needs. Title XX opens the way for social service agencies to accommodate certain predesignated needs of persons or families regardless of income. For other undesignated services, a reasonable income fee must be charged to families whose incomes are below 115 percent of the state's median. A family of four in Alabama, for instance, would become eligible under this provision up to an income of $13,559 in the 1976 fiscal year. In Maryland, the comparable income would be $17,757. At these levels, it is obvious that public policy is moving away from the concept of providing social services only to the poor. And even above that level, permission exists to provide services on a sliding fee basis related to income. And, as noted earlier, information and referral services are available to all without charge.

Title XX authorized $2.5 billion for each fiscal year for the various states for a wide range of services directed to any of the following five goals: to help people become or remain economically self-supporting; to help people become or remain self-sufficient, that is, able to take care of themselves; to protect children and adults who cannot protect themselves from abuse, neglect, and exploitation; to help families stay together; to prevent and reduce inappropriate institutional care as much as possible by making home and community services available; and to arrange for appropriate placement and service in an institution when this action is in the best interest of the individual.

Fewer services are mandated by the federal government under Title XX, and the states are afforded a large amount of flexibility in the kind of specialized programs they may create or adopt. States might provide, for example, homemaker services for a mother who is hospitalized, emergency shelters to protect young runaways from crime or exploitation, or transportation to a senior center for an older person otherwise confined to a rented room.

State Responsibility

States clearly have the major decision-making responsibility under the new act, while the federal role is largely that of providing financial assistance, supportive research, and experimental and evaluation studies. Even further decentralization to the local level is anticipated. The Hartford Community Life Association plan is an example of pooling all facilities to avoid the typical fragmentation of social services in the community and the resultant fragmentation of the individual or family they attempt to serve. Managing all resources, the CLA would be able to distribute funds to its network of agencies as it determines that there is need for new services or expansion of existing ones. Instead of a dual funding system, with public funds from local, state, and federal sources going into separate grants to individual agencies on the one hand and private funding sources doing the same thing on the other, the CLA would act as a fiscal traffic cop, determining needs, combining resources, and providing services to all clients through any or all agencies, depending on which combination best meets client needs.

Purchase of Services

Another development with major financial implications for private philanthropy and social policy is the explicit authority now written into law for the purchase of social services from private organizations by public agencies. As such purchases become more widespread, private groups could assume a larger role in planning and identifying those areas in which the contributions would be the greatest, for example, in serving particular communities and socio-economic groups or in relation to specified functions such as community organization or program evaluation.

II

OPPORTUNITIES FOR PRIVATE PHILANTHROPY TO MEET URGENT NEEDS OF THE NEXT DECADE

Early Childhood Education

In 1970 there were approximately 1,217,000 poor children four and five years of age who might have gained significantly from preschool education; of this number, only 411,000 were enrolled. In the same year, there were 600,000 poor children under the age of four whose mothers were in the work force; licensed day care homes could accommodate less than one third (147,000) of these children.

Our increasing need for child care arrangements and early childhood educational opportunities has in recent years been accelerated by several social factors. One is the major increase in the number of mothers in the work force and on welfare who either want to work or are required by law to do so. The proportion of working mothers with children under the age of six was 21 percent in 1959 and increased to 32 percent by 1970. Another factor is the women's liberation movement which may have motivated more women to seek employment, either as a means of supplementing the family income or for purposes of self-fulfillment.

Over and above the statistically documented need for more and better quality day care and early childhood services, however, an impressive amount of current research supports the utility of such programs. We have discovered, for example, that children under age six are more malleable than older children; this, plus the rapid rate at which they develop in these early years, leads us to conclude that the best opportunity to counteract the debilitating effects of poverty and thus to narrow the gap of intellectual achievement between the poor and the non-poor occurs at the pre-school age.

There are advantages to having programs for children in this age group, whatever their socioeconomic status. Research has shown that children of middle-class families still suffer from some kinds of affective deficiencies that might well be helped by effective early childhood programs.

Government has been slow to respond to this critical area of need. Both Houses of Congress passed early childhood development legislation in 1971, but it was vetoed by President Nixon.[5] Since then, there have been many public hearings on other proposed legislation, and it is considered likely that Senator Mondale and Representative Brademas will continue to press for their proposals or for similar bills.

Until such time as sufficient public funding is made available, however, increased recognition by private philanthropy of the need to serve young children remains critical. By creating a larger base of services for this largely ignored group in our society, private philanthropists could focus widespread public attention on the need, and this focus could eventually lead toward governmental support for a national, state, and local program of massive proportions. Investment by the private sector could be small in dollar terms, but such an investment could encourage a larger effort through recruitment of capable and dedicated volunteer teachers, aides, drivers, and others; contributions of space, equipment, and materials could be arranged through local churches or schools; additional contributions could be made through the training of staff personnel.

It is unlikely that another decade will pass without public support for early childhood programs becoming a reality. A major, well-planned effort begun now by private philanthropy in every community would clearly demonstrate the impact that such programs can have on children, parents, and the entire society to the point where public funding could be expected by all citizens and their elected officials within a few years.

Community Education Programs

In August 1974, the Education Amendments of 1974 were amended by the Community Schools Act (P.L. 93-380). The purpose of the Community Schools Act is stated as follows:

> In recognition of the fact that the school, as the prime educational institution of the community, is most effective when the school involves the people of that community in a program designed to fulfill their educational needs, and that community education promotes a more efficient use of public education facilities through an extension of school buildings and equipment, it is the purpose of this section to provide educational, recreational, cultural and other related community services, in accordance with the needs, interests and concerns of the community, through the establishment of the community education program as a center for such activities in cooperation with other community groups.

The act thus provides for a program of publicly funded, local community programs.

Community education is defined as "the process that achieves a balance and a use of all institutional forces in the education of the people – all of the people – of the community."[6] Sidney Marland, former U.S. Commissioner of Education, views it as a means of "fulfilling more people intellectually, and for developing new interests among all age groups . . . to continue learning to the extent of [their] ability and interests."[7]

Section 405(c) of the act defines a community school program as one "in which a public building . . . is used as a community center operated in conjunction with other groups in the community, community organizations and local governmental agencies to provide educational, recreational, cultural and other related community services for the community that center serves in accordance with the needs, interests and concerns of that community."

The Community Schools Act culminates a movement that began 40 years ago in Flint, Michigan, with Charles Stewart Mott, founder of the Mott Foundation, and Frank Manley, the foundation's executive director, who saw the opportunity in "lighted school-houses" to "solve large social problems such as juvenile delinquency and crime, poor health, unemployment and poverty. . ." Clearly, if the community education movement is going to be instrumental in meeting comparable needs of today, there must be close partnership between schools and other community agencies, since neither alone provide the needed range of educational, cultural, recreational, and other important community and social services.[8]

In it efforts to further community education, the Mott Foundation found that a small investment could reap huge dividends. A grant of as little as $2,000 tied to the use of university resources could stimulate creation of a community education program. Foundation funds were used essentially for payment of supplementary expenses such as janitorial services and printing. Even today, a grant of $5,000 to $10,000 could pay for the hiring and training of an enthusiastic community education specialist. With a basic amount of money and the almost evangelistic zeal often found among these in this field, community involvement is soon accelerated and the program takes off.

The Mott Foundation subsequently turned to an even broader application of the community education concept by supporting training centers to teach community education leaders. Thousands of people have participated in these special programs which range in approach from in-service experience to advanced degrees under the aegis of a National Center for Community Education.

Community education might become "a means of breaking large cities into small units and fostering interaction among the people who live there. In such small communities it is possible to involve people in problem solving and to create an atmosphere of community. It is possible to promote personal identity and a community spirit . . . In addition, there is evidence to suggest that schools are capable of accomplishing much more than they do."[9]

Community education, then, is another program area that merits support from private philanthropy. The present federal appropriation of $3.5 million is obviously inadequate for development of the community education concept. Julie Englund, former special assistant to the U.S. Commissioner of Education, sees the use of this appropriation as primarily a means of exploring and establishing the successful elements of a future program by addressing questions such as, "How is technical training best provided?" She further sees the merits of a heavy emphasis on evaluation to assess the effects of various approaches to community education.

In the meantime, private philanthropy can obtain a large return on a minimal investment by providing to local communities enough seed money to get programs started, much after the pattern established by the Mott Foundation. By responding to the growing interest in and need for learning experiences at various stages of life, upgrading skills, leisure-time learning, second or new careers, and therapy to counteract the effects of the aging process, philanthropic investment in community education not only can bring about important social change but also can give citizens the opportunity for greater personal involvement in the affairs and problems of the community.

Although community education programs are now operating in 500 to 600 school districts across the country, only 2 percent of the nation's school buildings are being utilized for such programs. The need for the support of philanthropic organizations – both large and small – is critical at this juncture. By helping to sustain and expand community education programs, private agencies can foster a social policy commitment that will enable increasing numbers of communities to benefit in the future from what may become a federal matching share of between 40 to 80 percent for such programs.

Emergency Social Services

Private philanthropy can also assist communities through support of emergency social services. Other than hospital emergency rooms or a few scattered agencies such as the Salvation Army, most public and nonprofit services are available to communities only on a 9-to-5 working day basis. Yet, as psychological and social tensions grow nationwide, the need for social services on a 24-hour schedule becomes more evident.

Lately, a good deal of interest in expanded emergency services has been sparked at the community level. As previously noted, hotlines are available for all-day, all-night counseling by telephone for persons with desperate problems, including drug addiction, suicidal impulses, and remorse about running away from home. A few organizations also meet in person with seriously troubled individuals and provide them with an immediate environment of caring and sharing, including tangible assistance when needed. The value of these services cannot be underestimated when measured in terms of alleviation of severe emotional or physical problems, or lives saved.

A network of hotline and emergency social services in communities across the country, particularly in middle-sized towns and large urban areas, could greatly reduce personal suffering at a time when it is most acute and guide persons in need into appropriate treatment and toward the prospect of rehabilitation. Here again, private philanthropic agencies could, with a minimal investment, help in the establishment of centers to provide such services. In addition to the immediate gain of aiding people in need as the centers begin to function, privately funded organizations could help win public support for them by demonstrating the validity of the emergency-service concept and by experimenting with alternative approaches.

Services for the Aging

With the present-day emphasis on youth, many of our senior citizens have been shuttled into a back corner of life where they are rejected or ignored. Society is, however, beginning to be more aware of their problems, chiefly because the aging are becoming better organized, more vocal, and more numerous. Cognizant of their potential political power, the elderly are now less afraid to use it at the voting booths or in lobbying for their goals.

Thanks to earlier retirement plans and greater opportunity for leisure time – as well as the redistribution of work and leisure – the aged of the future are likely to be younger in mind and spirit and healthier in body than they are today. Many contemporary older citizens, in fact, are active, interested in community affairs, and eager to present their views. As a result, the need for social services aimed at keeping older persons integrated into society has already increased and will continue to grow. So will other needs, for many of these people will have greater financial burdens as they live 15, 20, 25 or more years after retirement and continue to receive fixed incomes.

The 65-and-over population in America today numbers about 22 million. The Older Americans Act (1965) is intended to assist persons 60 years of age or over, of whom there are now 30 million. The over-65 population is expected to rise to about 29 million by 1990, to 40 million by the year 2020, and to some 50 million in the following decade. To prepare to meet the needs of this vast population (of which most of us will some day be a part) requires a strategy of research, demonstration, and innovation that should have begun yesterday. Among the problems of the aging yet to be solved or effectively researched are inadequate nursing homes, crimes against their persons and property, isolation, alienation and mental atrophy, and the need for part-time work, recreation, and preretirement education.

William Bechill, formerly HEW Commisioner on Aging and presently professor of social work at the University of Maryland, has drawn up this list of areas meriting immediate attention:

- Studies of the impact of early or delayed retirement.

- Support of postgraduate training of physicians in the field of geriatrics as part of the state re-certification processes and the addition of a syllabus on aging in the curricula of medical and nursing schools.

- Development of educational materials on the process of aging for use in elementary and secondary schools to counteract youthful misconceptions about the elderly.

- Evaluation of various specialized housing arrangements that have been developed for the elderly – highrises, homes for the aging, integrated housing, and retirement communities.

- Studies of the socioeconomic status and special needs of older widows, a large and growing population group. It is expected that there will be 9 to 10 million widows past the age of 65 by 1980, and this number will continue to increase. Research shows that widows quickly become isolated from friends and society, are not given time to express their grief, have limited physical mobility, and are susceptible to exploitation.

- Studies of emerging recreational and leisure-time patterns of the newly retired. Senior centers hold promise of meeting some of the needs of the elderly, but much more should be learned about alternative options including facilities, transportation, and on-scene health care.

- Support of large-range experimental preventive health programs for early diagnosis and treatment of those approaching retirement age (between the ages of 40 and 64). Research and demonstrations in a few communities of varying size would be helpful in measuring the advantages and disadvantages of Health Maintenance Organization (HMO) treatment vs. treatment by individual physicians.

- Studies and support of demonstration programs to the rural aged. Changing rural areas now have disproportionately high populations of elderly people, as loss of employment causes younger residents to seek jobs elsewhere. In some communities as much as 35 percent of the population is 60 years of age and over.

- Evaluation of the effectiveness of various social services for the elderly, such as day care, senior centers, home health care, and homemaker and protective services.

- Studies of aging problems among Blacks, Spanish-speaking, Oriental, Indian, and other ethnic groups.

Private philanthropy's role in finding solutions to the problems associated with aging should first be to assign a higher priority to this subject. It should then undertake essential research, test alternative approaches, and thus help to build a broad base of knowledge leading to better care for future generations of older people. Among the more general questions that private philanthropy might address are the prospective value of coordinated services for the elderly and duplication and options in the actual delivery of services in the health, welfare, and educational fields.

Research and demonstration within the broad areas of education, emergency social services, and services for the elderly should be undertaken by the large foundations or foundations with a broad geographic base. Once the research program provides valid strategies for meeting needs, local philanthropic agencies could begin service delivery programs in individual communities, paving the way for a larger public share of funding as models are developed and public demand for a particular service grows.

An Agenda for Private Philanthropy

From these and other examples of priority needs, it is evident that a large and growing agenda for private philanthropy exists, despite the substantial increases in public spending for social services in recent years. And as the philanthropists study that agenda, a number of principles and obligations emerge which might be included in their social service programs:

- Services to all persons who need them, regardless of income, with provision for a sliding scale of fees based on ability to pay.

- Preventive services which yield better returns than more costly rehabilitative assistance.

- Duplication or adaptation of proven services to fit particular community needs.

- Mixed public and private funding as a way to provide options to clients and to encourage competition, which will improve the quality and responsiveness of programs.

- Helping to change institutions as much as to preserve them; to develop social policy as well as to maintain it. One study assigns to the voluntary sector the role of providing society with a "large variety of partially tested social innovations, from which business and government can select and institutionalize those. . .which seem most promising. . .to provide the social risk capital of human society." Beyond that, the voluntary sector would provide "countervailing definitions of reality and morality – ideologies, perspectives and world views that frequently challenge the prevailing assumptions about what exists and what is good and what should be done in society; [and] is most likely to say that the emperor has no clothes."[10]

The implications that these principles have in the development of social policy is a concern of Michio Suzuki, acting deputy commissioner of the Community Services Administration in the Department of Health, Education and Welfare, who questions the reality of two completely separate systems, public and private. He sees the two systems as overlapping and intertwined to the extent that some private agencies would cease to exist without publicly funded support. At the same time, he recognizes that public agencies often do set the stage for public policy, program development, and financial support for private activities.

III

PREPARING FOR GROWTH IN SOCIAL SERVICES

It becomes increasingly clear that the trend for new programs and social services for large segments of our population continues upward, and that rather than spelling doom for private philanthropic organizations, this trend points to a healthy, though changing, role for them. Thus it is of critical importance that we enter the next era with a sound basis in planning, not the intuitive, catch-as-catch-can, reactive manner of the past. Fortunately, much of the machinery for such planning has already had the benefit of discussion and trial over the past few years. The point of decision and implementation is now close at hand.

A Council of Social Advisers

In 1970, the Senate passed the Full Opportunity and National Goals and Priorities Act, a principal feature of which was the formation of a Council of Social Advisers, similar in purpose and influence to the Council of Economic Advisers in the Executive Office of the President. The bill did not pass the House of Representatives. A chief objective of the Council of Social Advisers "would be to enlarge the chances for each of our citizens to develop his potential to the fullest. . . [and] the opportunity to live in decency and dignity."[11]

The lopsided attention given to economic analysis and forecasting, without corresponding emphasis on the human side of the equation, is already evident in the present national economic crisis. Mental health specialists, for example, are beginning to be concerned about an alarming increase in mental depression and suicide cases as people find it difficult to cope with economic distress. Yet nowhere has this kind of trauma been perceived as an indication of the need for a national policy that would place dollars and people in proper proportion.

A council of prestigious social advisers could measure these variables on a regular basis and thus provide an early warning system so that social trouble spots could be dealt with in time and constructively. The council also could report on the needs and status of the nation with respect to the welfare of individuals and make recommendations to the President and Congress for executive or legislative action required to meet such needs.

While serving as important input to the President and Congress, council reports could, through broad dissemination, stimulate public discussion on needed social policy and action. Among the principal topics for analysis in the reports should be the role of the private philanthropic sector as a provider of services and as a promoter of social change.

Social Indicators

Along with the creation of a Council of Social Advisers should come added stimulus for the development of significant social indicators. As suggested earlier, and as elaborated on below in a statement by Sen. Mondale, advance information can help to forestall serious social crises:

> Much of America's turmoil in the 1960's grew out of massive frustration at continuing social unfulfillment. That frustration mysteriously eluded the

attention of decision-makers in both the public and private sectors until the time for defusing the bomb had all but slipped away. Tragically, that should never have been the case. For in truth, the real conditions of explosive neighborhoods in Watts, Detroit, Newark and elsewhere were known . . . and their implications understood . . . by a variety of social scientists who not only possessed such publicly useful knowledge but published it as well. . . .

To our collective sorrow, most of those studies remained buried in the forbidding pages of the scholarly journals of a dozen or more academic disciplines, ranging from anthropology to political science. One can only imagine how different the tumultuous decade just ended might have been had there existed then the sort of mechanism for monitoring and reporting social conditions I am proposing.[12]

Typical of the numerous social program areas for which meaningful social indicators are badly needed are the status of special groups (such as the handicapped, unattended older citizens, and runaways) by age, sex, race, and community; numbers of preschool children in day care facilities as related to parents' income, working status, race, and other variables; the extent to which various groups of individuals are maintaining a satisfactory health level; crime, delinquency, and social justice as related to socio-economic levels, age, sex, race, and community differences; and the relative contribution of private and public sectors in addressing social needs.

Financial Planning

The Congressional Budget

With the advent in Congress of a mechanism for budgetary planning, the opportunity exists for the first time to take into account all spending for social services by all levels of government and by private sources. In considering proposals for the allocation of always scarce resources, the Congressional Budget Office now has the opportunity to look at total program goals and needs before it determines what may be the desired contribution of the private sector, so that the public investment can be viewed as complementary. In developing policy with regard to cancer research, for example, funding proposals might better emanate from an understanding of what the National Cancer Society intends to do in the next decade, rather than by the present independent planning of separate organizations. In this way, the federal and state governments, as well as private philanthropy, can determine what they can do to enhance the research impact of both the public and private sectors. Similar analyses might be undertaken in other problem areas such as day care and services to the aging.

The Planning of Public and Private Spending

As a nation, we are a long way from a system in which total public and private resources are utilized as a pool for either planning or programming purposes. The problem of obtaining data in any standardized fashion from private charitable organizations must be dealt with if reliable conclusions about the public and private sectors are to be drawn. The sharing of essential information, moreover, is not something that organizations, either public or private, are accustomed to doing.

In addition to the policy and procedural issues these difficulties imply, another important barrier to combined planning is the lack of modes and methods for accomplishing it. Here is where the major, nationally oriented foundations can play a crucial role in shaping the future of public-private philanthropy by undertaking studies leading to recommendations for viable cooperative mechanisms. At first, studies could be accomplished in one area within each of health, education, and social service fields. Three ad hoc groups of experts could be appointed and staffed to work out projected long-range plans and conduct empirical research on various approaches. The groups might also share information and findings and at the conclusion of their work, ascertain the implications for future policies of joint public-private planning and financing to meet national social needs.

Another method suggested by some persons for identifying relatively separate roles for the public and private sectors would be for each sector to serve clients along socioeconomic lines, with the public side providing service primarily to low-income persons and the private side primarily to the non-poor – a segment of the population whose needs are emerging and will grow in the coming years. Both sectors, however, could and should serve members of each group.

Still another possibility for division of responsibility lies in the nature of the contribution each sector might make. It appears likely that within the next decade some form of cash payment from the government to all low-income families will become law, whether through a negative income tax, family assistance plan, or some combination. As this occurs, private agencies funded by the public sector (with some private supplementation), might assume a more important share of responsibility for guaranteeing, under governmental guidelines, the range of social services at the local level.

Need for Analysis of Philanthropic Expenditures

Although numerous tabulations, estimates, and studies of philanthropic contributions and expenditures are available, they are not in the form or quantity required to provide the clear picture necessary for evaluating the changing role of private philanthropy.

The Social Security Administration annually collects and publishes expenditure data for health, education, and welfare purposes. (See Appendix B.) But the data contain insufficient detail on the private sector and in areas outside the HEW classification. An annual series of philanthropic spending studies, detailed and up-to-date, is therefore needed, and the private agencies themselves should be involved in the development, financing, and evaluation of such a series.

A New Role for the Private Sector

Evaluation

Although the public sector will in the future undoubtedly assume a larger role in the provision of social services, a vital role will still exist for the private charitable organization. The public agencies may provide services in what could become near-monopolistic fashion, but there will continue to be a growing need for a watchdog function to be performed by knowledgeable, critical external organizations, particularly at the local level where services are provided directly to clients. Community-based assessment and evaluation studies are and will be needed on a continuing basis to determine how well government agencies are carrying out their responsibilities and to insure the highest quality of service to all eligible persons in an atmosphere of dignity and respect.

The prospect of the private sector evaluating the public offers an interesting reversal from the prevailing arrangement in which public agencies usually evaluate the service delivery of private organizations. The outcome, however, should be a general upgrading of service as public agencies are kept on their toes by competently designed and implemented assessment techniques.

Systematically designed evaluation by community-based private charities of services with which they are familiar can also facilitate comparative analyses of alternative strategies used by different agencies for the same objective. By identifying and disseminating the most successful methods, the potential for upgrading all services is greatly enhanced.

Voluntarism

A discussion of social policy related to philanthropy cannot be complete without some reference to volunteer staffing. At the present time, most charitable organizations make wide use of volunteers who canvass for funds, stuff envelopes, provide high-level organization and policy-making services, and accomplish many other useful tasks. The value of these contributed services, according to studies made for the Filer Commission, amounts to more than $20 billion a year. In recent years, particularly with the advent of antipoverty programs, the involvement of the poor, minorities, and others in voluntary service have grown, with appreciable results.

The continued dedication of these men and women is vital. A number of bills have been introduced in Congress that would convert volunteer time into an unpaid minimum wage that could be deducted on income tax as a charitable deduction. If passed, such a bill could go well beyond the present law which permits deduction of only out-of-pocket expenses.

Some opponents of the proposed legislation believe that it would adversely affect the true spirit of voluntarism and the psychic reward such activity brings to the volunteer; others oppose the record-keeping burden that would be imposed on the volunteer organization. On the positive side, however, is the inducement that would ensure a continuing supply of much-needed help to achieve the goals of organizations performing significant services to the community.

Public policy should encourage voluntarism among all citizens – not simply for the economic benefits to the voluntary organization but also because work produces social benefits of its own. It enhances the self-image of those who volunteer; delays senescence for the aging through use of the body and mind in productive work; and provides for the pre-adult many useful, educational, work-type experiences along with opportunities to satisfy idealistic needs and establish mature, responsible modes of behavior. Beyond the value to the volunteer and to the organization served, however, the community as a whole stands to benefit from any action that leads to improvement in the quality of life and to the involvement of its people in striving for a better life.

Funding Patterns

The tripartite approach of the federal government in its support of social services bears some scrutiny and evaluation. While arguments have been made for and against, definitive answers do not exist concerning the relative value of (1) categorical grants for specified problems such as runaways or teenage drug abuse; (2) broad legislative authorizations, such as the new Title XX of the Social Security Act, by which the federal government earmarks funds on broad terms while setting standards and posing some requirements in programming to the states; or (3) increased general revenue sharing with priorities attached to the increased funds allocated to state and local governments.

Within each of these approaches to funding are provisions that range from full funding by the federal government to matching grants in which the federal share is only minimal. A study of the impact and effectiveness of these alternative approaches is necessary. Do they each meet the priority needs of citizens with problems? What are the criteria and standards for provision of services? Are programs monitored and evaluated? What about cost-effectiveness? Through studies and comparative tests of the various approaches in terms of their specific objectives, major national foundations can attempt to find the answers to these and other questions. The results of such studies could go far toward establishing rational uses of different funding approaches to meet various needs, and perhaps toward determining the one best overall approach.

A Role for Meeting Local Needs

Providing services directly to the client is, after all, the end product of an often complicated network of different levels of governmental organization appropriations, fund raising, and management. After a decade or more of experimentation, the emphasis has shifted from massive funding of research and demonstration to broader-scale dissemination of already acquired knowledge; this shift is particularly evident in the federal thrust in the field of education and health. But what is known theoretically must now be put into practice.

The same line of reasoning might be applied to the social services. To put theory into practice here, however, requires a much broader reporting and sharing of information among foundations, other private organizations, and government than now exists. That there may be gold to be mined by such an exchange is evident from the numerous studies conducted by major national foundations and government agencies, which unfortunately stop short of support for efforts that would see these models adopted more broadly by local agencies directly in the client-serving business.

The Health Maintenance Organizations (HMOs) offer an example of how local foundations and charitable agencies with modest support can be effective in meeting significant local needs. The concept of the HMO as a means of delivering less costly health services while elevating the quality of health through application of preventive medicine techniques is sound in principle. But when it comes to implementation, relatively few communities have established HMOs, partly because of the complicated constraining federal regulations surrounding their initiation. Once the HMO is established, however, the problem of meeting federal criteria is less acute. Local philanthropic agencies could be of great assistance to their communities and citizens by making grants-in-aid to help establish HMO centers, allowing needed time to bring them to the point where they can meet the required tests for federal funding.

What is needed is a policy allowing the large foundations and the government agencies to allocate a major share of funds to assist local organizations in copying models that have been found to have high potential for success. Relatively small grants for this purpose, along with technical assistance support, would go far in improving program planning and operations on a widespread basis, simultaneously amortizing the earlier large investments in the research itself.

Ellen Winston, former Commissioner of Welfare in the U.S. Department of Health, Education and Welfare, summarizes the high potential of directing attention and support to local voluntary agencies in meeting human and community needs:

> For the local agencies, most of which are direct service agencies, the ability to meet community needs is directly dependent upon sustained private support. These agencies not only help to fill the gaps in public social services for those unable to pay, but they also provide services to those who can pay only a part of the cost, such as older citizens on fixed incomes and working mothers who require day care for their children. Some agencies serve those individuals who can pay the full costs of needed social services. Increasingly, private agencies are seeking and receiving federal matching funds through purchase-of-

service contracts for their indigent clients. The local matching percentage may come from either private or public sources.[13]

This paper has indicated that whatever the state of the economy, the years ahead will see in this country a growth in demand for services designed to meet human needs. It makes the case that even with increases in government support, there will continue to be a vital need for private philanthropy.

If we as a nation are to enter the last quarter of the century well armed to serve the needs of all our citizens efficiently and humanely, the time for charting that course is now. In addition to the new and challenging roles ahead for private philanthropy, the creation of a Council of Social Advisers, charged with developing a social report to the nation based on meaningful social indicators, and the utilization of the new Congressional Budget Office, should lead to more effective planning of public/private spending. By carefully charting our future course, we can provide satisfying and productive roles for both the public and private sectors in our search for a better quality of life for all Americans.

Appendix A

Federal Grants to States for Social Services:

Title XX of the Social Security Act
Effective October, 1975

Purpose

The purpose of the program is to provide social services which will accomplish the following goals:

1. Enable individuals to achieve or maintain economic self-support; and prevent, reduce, or eliminate dependency;

2. Permit them to achieve or maintain self-sufficiency, including reduction or prevention of dependency;

3. Prevent or remedy neglect, abuse, or exploitation of children and adults unable to protect their own interests; or preserve, rehabilitate, or reunite families;

4. Prevent or reduce inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care; and

5. Allow individuals to secure referral or admission for institutional care when other forms of care are not appropriate, or be provided with services to institutions.

Services

To accomplish the goals listed above, the following social services can be provided under the program:

Day care for children
Day care for adults
Adoption services for children
Education related
Emergency
Employment related
Family planning
Foster care to children
Foster care to adults
Chore services
Counseling
Health related
Hearing and speech related
Drug and alcohol
Volunteer services
Home delivered meals
Homemaker
Housing Improvement
Information and referral
Legal

Money management
Consumer protection
Established paternity to secure support
Outreach
Program for retarded citizens
Foster home finding
Protective services to adults
Group homes
Protective services to children
(court services)
Social adjustment
Nutrition
Social group
Community planning
Special services to the blind
Transportational services
Respite care
Shelter homes
Special services to single parents

Appendix B

Public And Private Expenditures For Health, Education, And Welfare

Total expenditures in the U.S. for health, education, and welfare, both public and private, were $336 billion in 1974. This amount was equivalent to 24.9 percent of the gross national product. The comparable figure for 1950 was $35 billion, representing 13.4 percent of the gross national product.

The increase in the expenditures for these purposes averaged $12 billion a year during the 24 year period 1950-1974. The average increase in the percentage of gross national product was approximately one half of one percent per year.

The non-public portion of these totals were as follows:

	1950	1970	1974
Total	34.1%	31.8%	28.9%
Health	74.5	63.5	50.4
Education	14.2	16.7	16.1
Income maintenance	9.0	16.0	14.6
Welfare & other services	34.2	20.0	13.8

Source: Alfred M. Skolnik and Sophie R. Dales, "Social Welfare Expenditures, Fiscal Year 1974," *Social Security Bulletin* (January 1975), pp. 3-19.

Footnotes

1. Cynthia C. Wedel, in an address to the National Council of Philanthropy, 1974.

2. Ibid.

3. Alfred M. Skolnik and Sophie R. Dales, "Social Welfare Expenditures, Fiscal Year 1974," *Social Security Bulletin* (January 1975), p. 17.

4. The Greater Hartford Process, Inc., *A New System of Social Services for 1980* (Hartford, Conn., March 1972), p. 1.

5. Senate Document No. 92-48, 92nd Congress, 1st Session, December 10, 1971.

6. Maurice F. Seay, *Community Education: A Developing Concept* (Midland, Mich.: Pendell Publishing Co., 1974), p. 11.

7. S.P. Marland, Jr., "The Federal Role in Community Education," *Phi Delta Kappan* (November 1972), p. 146.

8. Clyde M. Campbell, "Contribution of the Mott Foundation to the Community Education Movements," *Phi Delta Kappan* (November 1972), p. 195.

9. Jack Minzey, "Community Education: An Amalgam of Many Views," *Phi Delta Kappan* (November 1972), p. 150.

10. David H. Smith, *Voluntary Action Research, 1973* (Lexington, Mass. Lexington Books, 1973), p. 388.

11. Sen. Walter E. Mondale, "Social Advisers, Social Accounting and the Presidency," Symposium on the Institutional Presidency, *Law and Contemporary Problems*, Duke University School of Law, Durham, N.C., 1970.

12. Ibid.

13. Ellen Winston, "Some Aspects of Private Philanthropy in Relation to Social Welfare," paper prepared for the Commission on Private Philanthropy and Public Needs, 1975.

SOME ASPECTS OF PRIVATE PHILANTHROPY IN RELATION TO SOCIAL WELFARE

Ellen Winston[†]

Introduction

Philanthropic aid for the destitute and disadvantaged is an integral part of our social heritage. Voluntary social welfare under sectarian, nonsectarian, and other auspices has been a major force in identifying and drawing public attention to the country's social welfare needs and in demonstrating the importance and feasibility of public support of social welfare programs.

In recent decades the scope and structure of voluntary social welfare activities have changed in response to the proliferation of new or newly identified social problems, many of which derive from increased urbanization and mobility, and to the vastly enlarged role of government in meeting social welfare needs. Most of the major changes that have resulted in voluntary social welfare as we know it today stem from the enactment of the Social Security Act of 1935. Numerous amendments to the act have broadened coverage and increased benefits, so that meeting the costs of income maintenance and major health programs (Medicare and Medicaid) is now a recognized governmental function. The Social Security Act provides for this country's largest publicly financed social welfare program, but there are many other programs at all levels of government directed wholly or in part to social welfare objectives.

The effect of the marked proliferation of government programs and services in the social welfare field has been to increase rather than decrease the essential role of the private sector: We still look to private social welfare to meet those needs that government does not or cannot respond to, or cannot serve as effectively.

An effort is made here to trace the funding patterns for voluntary social welfare agencies and to identify some of the problems of financing and administration that directly affect the ability of these agencies to achieve their particular objectives.

"Why do so many of our private nonprofit organizations seem to have perpetually engrossing financial problems? Why should the men who run them have to spend so much time and effort making the rounds of potential donors, hat in hand, often with disappointing results and always at the expense of their primary administrative and program functions?" So wrote Alan Pifer, president of the Carnegie Corporation of New York, in 1966.[1] Now, a decade later, these questions are even more relevant to private nonprofit institutions and agencies, especially those concerned with social welfare. Given the growing competition among all nongovernmental organizations for the private and public dollar, it is incumbent upon the voluntary social welfare agency to find better ways of securing adequate financing so that it can continue to provide leadership and essential services. No less important is the need for private support sources to recognize the vital role of these agencies and provide needed funds.

Parameters of Social Welfare

Both the public and the private social welfare sectors, whatever their specific obligations, operate with the same objective – to improve the quality of life of individuals and families. As services initiated in the voluntary sector become more widely accepted, they are usually brought under governmental auspices and thus become more generally available, at least to lower-income groups.

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The field of social welfare is constantly changing, with the acquisition of new knowledge, the recognition of emerging problems, the impact of new legislation. New agencies are established; old agencies make program changes. Programs under both public and private auspices are revised as new methods are developed and as levels of expectations change, creating new challenges and needs. Yet within the general context of social welfare, the needs are so great that even if all of the resources available were allocated to them, many of these needs would still be unmet. This is true if we consider only the economically deprived groups; when we include the total population – and what family is immune from social problems – the totality of unmet needs is staggering.

I

THE FINANCING OF VOLUNTARY SOCIAL WELFARE

Even a cursory review of reports on private philanthropy in the social welfare field reveals the tremendous range of agencies and programs that have benefited from private funding. Almost without exception, voluntary social welfare agencies at the national, state, and local levels are to some extent supported by private philanthropy.

At the local level there are family service agencies, child welfare agencies, the more recently established agencies that serve the aging, youth organizations, and a wide variety of special-purpose agencies. Their private support, as data cited later in this report indicate, comes in substantial part from federated fund raising, community and family foundations and service agencies, and large individual contributors. Some agencies receive substantial grants from major foundations, particularly for an innovative approach to a special problem area.

Local agencies may or may not be affiliates of national voluntary organizations, but generally the major local agencies do have parent organizations to which they can turn for a wide range of assistance. For the local agencies, most of which are direct service agencies, the ability to meet community needs is directly dependent upon sustained private support. These agencies not only help to fill the gaps in public social services for those unable to pay, but they also provide services to those who can pay only a part of the cost, such as older citizens on fixed incomes and working mothers who require day care for their children. Some agencies serve those individuals who can pay the full costs of needed social services. Increasingly, private agencies are seeking and receiving federal matching funds through purchase-of-service contracts for their indigent clients. The local matching percentage may come from either private or public sources. Local planning agencies, often directly related to federated fund-raising organizations, have become increasingly active in many communities. Such agencies attempt to assess community needs, establish priorities, and monitor existing programs.

The range of voluntary social welfare agencies at the state level is somewhat more narrow, but these agencies offer the same general types of direct services as the local agencies. For example, statewide adoption agencies, supported in substantial part by private philanthropy, have operated in many states for a number of years; some sectarian child welfare agencies and programs for the aging often provide direct services statewide. These and other similarly based voluntary social welfare agencies depend heavily on private philanthropy for their start-up costs and going support.

Private philanthropic support of social welfare agencies at the national level is highly visible through foundation grants or other large contributions from corporations, individuals, and bequests. Many of the national agencies that provide leadership in social welfare today received their start-up funds from private foundations, including the Field Foundation, The Ford Foundation, Ittleson Family Foundation, New York Foundation, Rockefeller Brothers Fund, Russell Sage Foundation, Stern Family Fund. (See Appendix B.)

The development of improved accounting and financial reporting methods for voluntary health and welfare agencies was underwritten by the Avalon Foundation and the Rockefeller Foundation; several other foundations financed implementation of the system. Methodology for program evaluation in the family service field was developed under grants from at least five foundations. Performance standards for child welfare and homemaker services have been established through support from the Ittleson Family Foundation, the W.K. Kellogg Foundation, and others. Extensive research on the Aid to Dependent Children program was financed by the Field Foundation; special programs in the fields of aging and child welfare are currently being supported by the Edna McConnell Clark Foundation; and social work education continues to benefit from the support of The Lois and Samuel Silberman Fund.

These are but a few examples of the variety of ways in which private philanthropy has contributed and continues to contribute to the voluntary social welfare field. The record of achievement to date provides the basis for our consideration of current and future issues in the financing of social welfare.

Sources of Support

Since large amounts of private funds have in the past gone to social welfare, are currently being expended for voluntary social welfare programs, and will be available at least in the near future, it is useful to review existing data on these philanthropic contributions and their impact on the social welfare field. Data from a variety of sources reflect the differing patterns of voluntary, private support of social welfare and the diversity of funding sources.

The Social Security Administration has for a number of years published figures on public and private expenditures for social welfare. As Table 1 shows, while both public and private funding of welfare and other services has grown substantially since 1949-50, public funds have increased far more rapidly than private funds. The proportion of total funds for welfare and other services contributed by private philanthropy decreased from 47.3 percent in 1954-55 to 15.4 percent in 1972-73. However, the importance to the social welfare field of the almost $3 billion in private funds in 1972-73, nearly four times the amount expended in 1949-50, should not be underestimated.

Total philanthropic giving — individuals, bequests, foundations, corporations — for 1974 was $25.23 billion. Of this, $2.34 billion, or 9.3 percent, went to social welfare.[2] (While much attention is focused on support from foundations, corporations, and federated funding, the bulk of contributions for all causes, social welfare included, comes from individuals, as living donors and through bequests. Individuals contributed an estimated $19.8 billion of total giving in 1974; bequest giving in that year is estimated to be $2.07 billion.[3])

Most individual givers tend to think of contributions to social welfare in terms of United Fund drives. In 1973, 28.4 percent of the more than $900 million raised by these local drives was allocated to family and children's services, the United Way category that can most readily be subsumed under social welfare. Recreation was close behind with 27.4 percent. (Table 2.)

A Conference Board survey of corporate giving shows that of the $322.56 million contributed by 443 companies in 1972, 26.65 percent went to federated health and welfare drives, such as United Funds. Another 1.84 percent was allocated

Table 1

Public and Private Expenditures for Welfare and Other Services, Selected Fiscal Years, 1949-50 Through 1972-73 (in millions of dollars)

Year	Total	Public[a]		Private	
		Amount	Percent	Amount	Percent
1949-50	$2,004	$1,319	65.8%	$ 685	34.2%
1954-55	1,797	947	52.7	850	47.3
1959-60	2,658	1,570	59.1	1,088	40.9
1964-65	4,291	2,916	68.0	1,375	32.0
1968-69	8,295	6,395	80.0	1,900	22.9
1969-70	9,992	7,992	83.2	2,000	20.0
1970-71	12,523	10,423	84.9	2,100	16.[illegible]
1971-72	15,268	12,968	84.6	2,300	15.1
1972-73	16,924	14,324	84.6	2,600	15.4

a. Food stamps, surplus food for the needy and for institutions, child nutrition, institutional care, child welfare, economic opportunity and manpower programs, veterans' welfare services, vocational rehabilitation, and housing.

Source: Alfred M. Skolnik and Sophie R. Dales, "Social Welfare Expenditures, 1972-73," *Social Security Bulletin* (January 1974), Table 10, p. 17.

Table 2

United Way Allocations by Fields of Service, 1973

Family and children's services[a]	28.4%
American Red Cross	12.9
Hospitals and clinics	2.1
Other health services	10.0
Recreation services	27.4
Other services	4.4
Community welfare planning	3.2
Campaign	4.2
Year-round administration	3.1
Shrinkage	4.3
	100.0%

a. Family service and child care, day nurseries, maternity home care, institutions for aged, Traveler's Aid Societies, legal aid and public defender societies, Salvation Army, services to handicapped and other services.

Source: United Way of America. See also American Association of Fund-Raising Counsel, Inc., *Giving USA*, 1974, p. 44.

to national welfare agencies and 4.46 percent to unspecified local health and welfare agencies.[4] While 98 percent of the 443 companies contributed to federated drives, only 37 percent made any contribution to national welfare agencies.[5]

Community foundations have given first priority to social welfare, with roughly one third of their resources being allocated to this field in the period 1966-1972. (Table 3.) This can be interpreted as a response to the recognition of needs of

Table 3

Distribution of Community Foundation Grants by Field, Selected Years

Field	1966	1968	1970	1972
Education	21.4%	18.4%	16.4%	19.6%
Social welfare	34.8	32.1	36.3	36.1
Health	19.8	17.3	19.1	19.3
Humanities	9.4	10.5	9.8	10.4
Religion	2.4	2.6	2.1	1.8
Civic improvement	7.5	15.6	15.2	11.7
Other	4.7	3.5	1.1	1.1

Source: Council on Foundations. See also American Association of Fund-Raising Counsel, Inc., *Giving USA*, 1975, p. 16.

families and individuals in the local community and to efforts to support local agencies.

The data on United Way allocations and community foundation grants indicate that the closer the decision-making process governing the use of private funds is to the local community, the higher the proportion of total funds going to social welfare.

When one turns to private foundations, the picture is somewhat different. The distribution of foundation grants in the period 1970-1974, as reported in *Giving USA*, shows that in each year the largest single percentage of funds went to education. Welfare received the second largest percentage of foundation funds in the first three years of the period (finishing just ahead of health). However, in 1973 welfare fell behind both health and science in its share of funds and in 1974 received slightly less than health. (Table 4.)

Table 4

Distribution of Foundation Grants by Field, 1970-1974

Field	1970	1971	1972	1973	1974
Education	36%	32%	23%	36%	28%
Welfare	17	16	20	9	16
Health	15	15	17	24	20
Sciences	12	10	16	12	12
International	7	10	12	9	11
Humanities	7	10	8	8	11
Religion	6	7	4	2	2
Number of Grants	12,225	12,989	10,426	8,005	9,596

Source: The Foundation Center, based on grants reported in *Foundation Grants Index*. From American Association of Fund-Raising Counsel, Inc., *Giving USA*, 1974, p. 14 and 1975, p. 14.

While it can be argued that 1973 was an exception, and while recognizing that there are foundations with special interests in the social welfare field which might provide exceptions to the general trend in funding, it is nevertheless quite possible that social welfare will run a poor third behind education and health in the immediate future.

According to data compiled by the Council on Foundations from fields of activity reported by The Foundation Center, welfare and the sciences each received 13 percent of the total amount of foundation grants in the period 1961-1973. Education was first with 32 percent, followed by health with 15 percent and international activities with 14 percent.

Related to the financing of voluntary social welfare is the distribution of grants within the social welfare field. Table 5 presents data for a number of areas not generally included within the definition of social welfare: recreation and conservation, housing and transportation, and at least parts of several other program areas. What is striking about these figures is the sharp decrease from 1972 to 1973 in the total amount of foundation grants for welfare (even after discounting for the $30 million Ford Foundation grant in 1972). Should this downward trend continue, the future of private social welfare at the state, regional, and national levels will be seriously jeopardized.

Table 5

Foundation Grants in Welfare, 1972 and 1973[a]

Areas of Giving	Number of Grants		Amount of Grants (in thousands)		Percent of Total	
	1972	1973	1972	1973	1972	1973
General	2	1	$ 121	$ 67	1%	-
Aged	67	76	1,929	1,756	1	3%
Child welfare	232	224	7,579	8,407	6	13
Community development	228	187	17,418	13,879	13	21
Community funds	43	113	2,795	6,514	2	10
Delinquency and crime	105	129	33,733[b]	3,003	25	4
Handicapped	147	133	6,342	3,682	5	5
Housing and transportation	111	74	7,085	2,846	5	4
Race relations	191	91	15,115	5,095	11	8
Recreation and conservation	161	101	13,380	3,310	10	5
Social agencies	289	192	7,587	4,129	6	6
Youth agencies	459	485	20,273	13,882	15	21
Totals	2,035	1,806	$133,357	$66,570	100%	100%

a. Grants reported in *Foundation Grants Index*, Vol. 13 (1972) and Vol. 14 (1973).

b. This is mainly accounted for by a $30 million grant by The Ford Foundation toward setting up the Police Foundation.

Source: Council on Foundations, Inc.

Another perspective on the private financing of social welfare can be gained by examining available budget data for 1973 for seven well-organized private, nonsectarian social welfare agencies. Tables 6, 7, and 8 provide this information and must be read together in order to get an accurate financial picture.

Table 6 reflects the problem of restricted funds. Of the seven agencies studied, only two had complete or nearly complete freedom to handle the total agency budget. It must be pointed out, however, that even where a substantial portion of the available funds were restricted, the activities supported by these funds probably represented major program priorities of the agencies.

Turning to the sources of restricted and unrestricted agency funds (Table 7), one is struck with the diversity of funding patterns among the agencies. Some of the agencies derived almost half or more than half of their funds from private philanthropy (listed in the table as public support), while others received the majority of their support from government grants and fees, or membership dues, or a combination of the two. While percentages differ sharply, and may change markedly from year to year, it is clear that the national voluntary agency does, indeed must, seek its funding from a variety of sources. This is as true for the small agency as for the large one, for the new agency as for the long-established one. It is clear from Table 8 that despite the availability of government funds, private philanthropy (through contributions, federated fund raising, and other sources) provides continuing major support for the programs of national private social welfare agencies.

As noted earlier, foundation support made possible the establishment and initial operations of a number of national private agencies. It is the lack of this support and other kinds of private funds, along with efforts to increase services, that has led more and more social welfare agencies to seek government grants. This in turn raises the question of the current and continuing role and responsibility of private philanthropy in helping to provide a balance in welfare funding so that the significant impact of the private sector upon social welfare can be maintained and, where necessary, enhanced.

While trends in giving can be measured for bequests, foundations, corporations, and federated funds, the patterns of direct individual contributions, except for very large donations, are more difficult to discern. With their obvious emotional appeals, many bona fide as well as many less professional social welfare agencies depend heavily on individual contributions to meet their budgets. Since many individual donors tend to continue their practice of giving from year to year, it would seem that the private social welfare agency would benefit from better information about the patterns of giving and preferences of individual donors who make direct contributions to agencies.

Table 6

Social Welfare Agencies, Public Support and Revenue, Restricted and Unrestricted Funds, 1973 (Actual)

	Total Public Support and Revenue		Restricted by Donor		Unrestricted	
	Amount	Percent	Amount	Percent	Amount	Percent
Agency A	$2,534,274	100%	$1,261,142	50%	$1,273,132	50%
Agency B	1,113,734	100	525,506	47	588,228	53
Agency C	4,460,915	100	4,276,243	96	184,672	4
Agency D	3,998,038	100	1,582,323	39	2,415,715	61
Agency E	248,570	100	108,644	42	139,926	58
Agency F	366,450	100	-	0	366,450	100
Agency G	896,242	100	109,959	12	786,283	88

Source: United Way of America, Committee on National Agency Support, Report 1974.

Table 7

Social Welfare Agencies, Sources of Revenue, 1973 (Actual)

	Total Public Support and Revenue		Public Support[a]		Government Grants and Fees		Membership Dues		All other[b]	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Agency A	$2,534,274	100%	$275,850	11%	$965,787	38%	$710,336	28%	$582,292	23%
Agency B	1,113,734	100	201,486	18	459,227	41	268,754	24	184,267	17
Agency C	4,460,915	100	25,323	0.5	4,183,949	93	51,389	1	200,254	5.5
Agency D	3,998,038	100	1,788,053	45	2,022,605	52	50,354	1	137,026	2
Agency E	248,570	100	118,630	48	26,594	11	80,793	32	22,553	9
Agency F	366,450	100	70,500	19	51,000	14	195,000	53	49,950	14
Agency G	896,242	100	541,063	60	15,000	2	177,230	20	162,950	18

a. Includes contributions to building fund, special events, legacies and bequests (including endowment), receipts from federated and non-federated community campaigns.

b. Investment income, realized gain on investment transactions, program service fees, sales of supplies and services, miscellaneous.

Source: United Way of America, Committee on National Agency Support, Report 1974.

Table 8

Social Welfare Agencies, Sources of Public Support,[a] 1973 (Actual)

	Total		Contributions		Federated and Non-Federated Campaigns		All Others[b]	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Agency A	$ 275,839	100%	$ 267,653	97%	$ 2,462	1%	$ 5,724	2%
Agency B	201,486	100	102,316	51	65,660	32	33,510	17
Agency C	25,323	100	10,469	41	14,854	59	-	0
Agency D	1,788,053	100	1,098,053	61	332,000	19	358,000	20
Agency E	118,630	100	108,100	91	650	0.5	9,880	8.5
Agency F	70,500	100	35,000	50	35,500	50	-	0
Agency G	541,063	100	262,077	48	278,986	52	-	0

a. See definition on Table 7.

b. Contributions to building fund, special events, legacies and bequests (including endowments).

Source: United Way of America, Committee on National Agency Support, Report 1974.

II

SORTING OUT THE PUBLIC AND PRIVATE ROLE IN SOCIAL WELFARE SUPPORT

Since the major portion of social services will continue to be financed from public funds, there is continuing need for clarification of public-private roles. The direct services of agencies are basically the same whether conducted under public or private auspices. Yet with increasing recognition of the need for social services at all economic levels – not only the poor and near poor – the voluntary sector faces ever-growing demands for services from those who can pay all or part of the cost. When viewed from this perspective, governmental programs, which focus on the poor and near poor, are clearly no substitute for private social welfare. Furthermore, should the public programs under the Social Security Act fail to increase commensurate with growing demand for services, or any significant governmental program related to social welfare be greatly reduced, the increased volume of unmet need will place new strains on the resources of the private sector.

How public and private social welfare interface is also affected by the current emphasis within the federal government on decentralization of decision making to states and ultimately to local government. Governmental decisions regarding social welfare program priorities and administration affect voluntary social welfare at all levels, from national to local. For example, state and local governments' use of general revenue sharing funds has to date resulted in only small percentages being allocated to either public or privately administered "social services for the poor and the aged," one of the eight possible areas of expenditures. A General Accounting Office report based on a survey of 250 local governments, including the 50 cities and 50 counties receiving the largest amounts of revenue sharing funds in 1972, revealed that only about .3 percent of revenue sharing monies went to programs for the handicapped and little more than 1 percent to children's programs. A related report showed about .2 percent going to programs that benefit the elderly.

Both sectors need far greater skill in defining their goals and their priorities: "There must be recognition that the establishment of priorities and the determination of criteria affecting them are not necessarily the same in the public and voluntary sectors. There should not be any presumption that because government has established a set of priorities for its programs and services, therefore these same priorities ipso facto can be applied to the voluntary sector."[6]

Social welfare administrators and their boards have long been concerned about the impact of substantial public funds, usually federal or state, upon the directions of their programs. Quite apart from the specialized quasi-governmental organization, there are numerous examples of voluntary agencies that in a sense become captives of government through their dependence on public funds. Basically, this situation arises when the private nonprofit agency is unable to secure sufficient funds from the private sector and thus maintain an effective balance in its support sources. What devices must voluntary agencies use – and, correspondingly, what are the responsibilities of private philanthropy – to ensure that they remain free to pursue priorities in their areas of expertise and maintain flexibility in program planning and administration.

The Child Welfare League of America addressed this issue in its 1971 bulletin, *A National Program for Comprehensive Child Welfare Services:* "The voluntary agency's dependence upon public funds need not inevitably lead to a loss of its autonomy . . . The autonomy of the voluntary agency receiving a large proportion of its budget from public funds can be maintained, provided that it is performing well; it has the necessary protections in its contract; it is clear about its role and its rights as a voluntary organization; and the prerogatives, requirements and responsibilities of the public agency providing the funds are clearly defined."[7]

Other leaders in the voluntary field take issue with this point of view, stating that unless financing of the voluntary social welfare agency remains basically private, the agency will forfeit its voluntary approach:

> Government grants inevitably carry with them the danger of government controls. They involve often time-consuming, changing and delaying administrative complications. Government grants may be less than the costs of services, so that the agencies must add voluntary funds to greatly enlarged services. Cash flow from government may be months behind incurrence of costs. Contracts are subject to continuing modifications. Continuity of government funding is not assured.
>
> Most fundamentally, when the bulk of a voluntary agency's income is from government, when the definitions of whom it must serve and what services it must render are determined by government, it runs the risk of no longer being a voluntary agency, and becoming instead an instrument of government.[8]

Actually, the Child Welfare League comes out for multiple sources of funding in order to maintain flexibility and lessen the risk of control.[9] No one really knows where the dividing line is with respect to governmental versus private support. Perhaps the issue should be considered on the basis of sources of support over a period of years rather than on an agency's financial situation in any given year.

III

ADMINISTRATIVE PROBLEMS

Financial Aspects

Whether financing for voluntary social welfare is sought from public or private sources, it is a time-consuming process calling for great skill in what is now commonly refered to as "grantsmanship." The point has been raised many times that the majority of social welfare administrators in the private arena must spend a disproportionate amount of their time and energy on fund raising and that few social welfare agencies have sufficient financing to carry out their identified objectives as fully and effectively as is desirable for the public good. There is little value in belaboring the point that the well-qualified executive who is charged with responsibilities for leadership and program development must somehow compromise those duties with the pressing demands of fund raising. There are other equally important problems in the financing of private social welfare, and these can be identified and considered in relation to specific sources of funds.

From the time of the Elizabethian Poor Laws, philanthropic aid to individuals or families has been thought of in terms of the very poor. Convincing people at higher economic levels that they too may need and eventually become the beneficiaries of social welfare services is one of the first hurdles faced by the social welfare fund raiser. Another problem, again not unique to social welfare but probably intensified for this field, is that once outside the United Fund area, time-consuming fund-raising practices must usually be followed. If an agency is approaching a foundation, corporation, government agency, or large individual donor for a grant, the chances are that the proposal will be carefully tailored to the known special interests of the potential benefactor. If successful in obtaining the sought-after funds, the agency's financial well-being is improved; if unsuccessful, the agency's overall cost of administration in relation to its basic mission is increased.

Even if the social welfare agency is awarded a project grant, or other type of funding, its financial problems are not entirely solved. Federal grants, for instance, often require that a substantial amount of matching money be produced from year to year. Foundation grants may have a different approach – say, a three-year grant that decreases from year to year, requiring that the agency, whose costs almost certainly will have increased annually, provide a larger and larger share of the total costs.

A related problem for the social welfare agency is that even a fully funded project seldom covers all of the cost. Agencies seek to establish a predetermined percentage that can be added to the project cost as overhead. Some philanthropic sources will not provide for these added costs; and unless the overhead can be built into the estimated cost, in a sense concealed, the agency must find within its own budget additional unrestricted funds with which to subsidize the project.

Still another problem is the current appeal of so-called innovative and experimental approaches for social welfare programming. Certainly we look to private social welfare to blaze new trails, to develop new methods and skills, to improve the service delivery system, to recognize emerging needs and move quickly to deal with them. But at the same time, we have greatly expanded our knowledge of how to deliver many widely needed, ongoing social welfare services. If an area of service has proved its value, grants for continuation, expansion, and improvement of the service may produce far greater human benefits than an equal amount of money spent on new and untried programs, many of which do not survive beyond the initial funding period. A balance is called for, but in seeking new and better ways of doing things, it seems wasteful to neglect services that have already proved their value.

In the social welfare field, voluntary agencies have great difficulty in obtaining unrestricted contributions which can be used for ongoing administration of essential services. It is just as important to help the voluntary agency to maintain a sound fiscal base through unrestricted support grants as it is to provide for special programs. "Sustaining the good works of existing institutions is certainly no less essential than stimulating new programs and new institutions. A delicate balance between stability and change is required."[10]

Quite obviously, private foundations and other private support sources need to have more information about the many facets of voluntary social welfare. This could be supplied by persons who have ready and continuing access to philanthropic donors, or the potential donors themselves could periodically review and reconsider social welfare needs. Among the private foundations, it is the largest ones that have the greatest potential for promoting social development for the benefit of our society. There is no question that the preferences of the very largest foundations as to specific fields of interest have some impact upon funding decisions of smaller foundations. There are always areas that are currently of greater concern than others, and shifts in preferences tend to occur along with social and economic changes. Only in the smallest foundations have we found a special interest in "general welfare," and this appears largely due to contributions to the United Fund and similar community fund raising efforts. The current pattern of the distribution of foundation grants is of vital concern to national social welfare agencies, particularly since they must service the entire field and develop standards of excellence for the public as well as the private arena.

The various sources of private philanthropy and the voluntary social welfare agencies share a common objective in working toward the improvement of the general welfare of all citizens. We must find better methods of cooperation so that it is not always incumbent upon the agencies to seek out the sources of philanthropy; it is hoped that foundations and other private donors will increasingly reach out to those agencies that in their opinion are carrying out worthwhile programs in their particular areas of interest. Once mutual interest in a given field has been established, there is the potential for a cooperative relationship in developing projects. As sources of private philanthropy have become more professional in their approaches and their staffs more expert, they have increased their own potential for major input into the development of useful projects which they might then be interested in funding. Grace Olivarez dealt with this issue at the 25th Annual Conference of the Council on Foundations: "What I would like to see is a partnership in every sense of the word, between the foundation and the grantee. In other words, unless both grantor and grantee see their role as a mutual one trying to address an issue or a problem, the relationship of us and them, we and they, givers and beggars will continue, to the detriment of the social ills private philanthropy is trying to address."

There are times, of course, when the agency's proposed project is of no particular interest to the source being approached, but there may be other areas of the agency's work where there could be a mutually satisfying partnership. The potential donor needs to have basic information about the agency and to explore with the agency the areas in which a project of mutual interest might be developed. This is being done more and more; in most cases, the resulting project is better constructed and more likely to make a definite contribution.

As pointed out, one of the difficulties in securing private contributions for social welfare is that most people do not see themselves or their families as potential users of social services. A broad campaign needs to be organized to counteract the myth that social services are only for the poor. This in itself would be a highly useful project.

Other Concerns

While funding is basic, there are many other issues that concern the private sector. Today there is widespread interest in the role of volunteers in both private and public social welfare agencies. Millions of volunteers serve in a variety of capacities – policy making, direct services, supportive services, fund raising, among others. It is becoming a more common practice to pay for out-of-pocket expenses of low-income and even middle-income volunteers and even to accept some estimate of the value of their services for in-kind matching requirements for federal funding. (Volunteers are permitted by the Internal Revenue Service to deduct certain out-of-pocket expenses and automobile travel.) How do we protect the concept of and motivation for volunteer service as we increasingly pay for their services? Another issue is whether voluntary programs at any level should be coordinated by a federal agency and what can be projected as the long-range effect of this action on private agency programs.[11] The debate has scarcely begun on the critical implications for social welfare.

Although there are many unresolved questions with respect to voluntary social welfare, increased attention should be focused on how well the present system works in serving people and how it can be made to work better with available knowledge and resources. Much of the criticism of the administration of social welfare programs has focused on the issue of accountability. While the methods of judging accountability are not as precise as those used in business or industry, the social welfare field recognizes that there is much room for improvement.

The limited funds available from foundations, corporations, and individuals, the volume of requests for funds, the diversity of areas to which funds must be allocated – all mean that private philanthropy can never meet more than a small part of the total social welfare need. This emphasizes the importance not only of careful discrimination by the donor in selecting agencies and projects to support, but also of greater efficiency and effectiveness on the part of the donee. Efficiency and quality are not related to size so much as to the skill with which a given project is planned and carried out. The social work profession itself has begun to place more emphasis upon administrative accountability. The methodology has advanced considerably, even in the last six years. The 1964 foundation-sponsored project on self-regulation conducted by The National Assembly and the National

Health Council resulted in Standards of Accounting and Financial Reporting for Voluntary Health and Social Welfare Organizations. This, together with the 1974 revisions, has greatly improved fiscal accountability in the health and welfare fields. Further adaptations, tailored to special types of services, are needed.

When one turns from fiscal accountability to accountability for direct services and evaluation of quality, the problems are admittedly even more difficult. It is important that an agency not oversell a proposal in terms of anticipated results so that program accountability can be gauged against reasonable expectations. Here, too, substantial progress is being made through comparative evaluations of publicly and privately funded programs and through controls built into specific projects. (The recently published *How to Conduct a Client Follow-up Study* by Dorothy Fahs Beck and Mary Ann Jones of the Family Services Association of America illustrates the progress being made.) Whatever the methods of accountability, they must not lead to a single-minded focus on measurable efficiency and economy. Social welfare will and must continue to be concerned with the quality of the services rendered and how well they achieve the desired results with respect to the individual and/or family served.

Concomitant with the growing attention paid to accountability is the need for standards. As a nation, we have been derelict in not insisting upon the development and full implementation of adequate standards in the social welfare field. The many reasons why the private sector must take greater responsibility for standard setting need not be reviewed here. What is important is that private philanthropy work hand in hand with social welfare agencies to encourage the development of standards for direct service agencies and to educate the public to the necessity of standards of excellence for even the simplest of services.

State and federal agencies are usually subject to too wide a variety of pressures to be able to promulgate strong, comprehensive standards. However, a number of national voluntary agencies, among them the Child Welfare League of America and the National Council for Homemaker Health Aide Services, have made noticeable progress in recent years in the development of standards for social welfare services. One way of dealing with the problem of enforcing adequate standards of performance is to have the federal government require all private agencies from which there is public purchase of services to meet standards developed by recognized national voluntary agencies. Using this approach, the implementation of standards becomes a shared responsibility. As a further step, federal and state agencies should require that public agencies providing direct services adhere to the same standards of quality as those promulgated for private agencies.

Only the larger, well-financed voluntary agencies can afford to pay the total costs of certification by standard-setting bodies. Subsidization (by public or private sources) of these costs directed toward raising the level of voluntary social services is essential. At the same time, continuing pressure on public agencies to meet comparable standards of performance is critical if we are not to have two levels of performance.

The foregoing discussion leads us to recognition of the continuing need for carefully defined, sophisticated research in the social welfare field. The range is wide – from detailed investigation of causes of individual and social malfunctioning to ways to improve delivery systems and the allocation of resources. Government research funds are available, but generally only in those areas of particular concern to government. The private sector desperately needs additional funds from other sources to carry out research (often on a relatively small scale) designed to build a sound, tested body of knowledge which can serve the entire social welfare field, public and private.

Another concern is the continuing significance of pluralism in a democratic society. Yet within this country's social welfare system, with its strong roots in private support and the recent growth in major public funding, it is essential that the values of pluralism be continually reexamined. We look to the voluntary sector to experiment, to innovate, to monitor, to serve the unserved, to move quickly when emergencies arise, to set standards of excellence – all of these responsibilities are inherent in our pluralistic approach. Maintenance of the voluntary sector of social welfare depends on a commitment to pluralism. Through its contributions to voluntary social welfare, the private sector expresses its right of choice, its individual values, its concern with particular causes, and its recognition of individual responsibility for the welfare of fellow human beings.

Right of choice is basic to a democracy and has a particular urgency in the area of individual social functioning and personal relationships. More and more there is fear of government intervention and control in our private lives. The strong private agency stands as one protector against such encroachment. Whether we are speaking of child welfare or some othr type of social welfare program, the following statement illustrates this function of the private agency: " . . . if a full range of public child welfare services were available to all, it would be desirable to have services offered by voluntary agencies. Their existence makes more likely the development of a comprehensive system of high-quality services; children and their parents are more likely to receive services in accordance with their individual needs because of opportunities for choice."[12] The right of choice should be zealously guarded for rich and poor alike. Today the poor often have no real alternative to the public agency, while the wealthy may have no community agency to which they may turn in times of stress.

The voluntary sector has continuing responsibility not only to provide social services but also to contribute to social policy development and to provide critical oversight and monitoring of public programs. There is no built-in guarantee that public programs will be operated either efficiently or with compassion. Indeed, as public programs become larger and more complex, the monitoring function of the private sector becomes more urgent and the results more visible in legislation, regulations, and administration.

Voluntary social welfare agencies must, along with their other objectives, accept greater responsibility for advocacy of improved practices and programs in their own specific areas of interest and throughout the social welfare field. This leadership role can only be accomplished, however, if the agency has substantial private support and considerable flexibility in the use of its funds and if the constraints of current federal legislation and regulation with respect to lobbying activities can be dealt with. Given the range of social problems and the need to articulate and find solutions to these problems, the desirability of a strong advocacy role by nongovernmental agencies cannot be overemphasized.

IV

THE FUTURE

The issues described in this paper will continue to have an impact on the future of public and private social welfare. They also serve to help clarify specific areas that require continued philanthropic leadership and support.

Since government programs in social welfare are designed primarily for the poor or for persons with marginal incomes, the availability and accessibility of adequate and essential social services to all individuals and families, regardless of income level, depend upon the continuing vitality and expansion of voluntary social welfare. Voluntary agencies which serve a variety of needs for social services will continue to be heavily dependent upon private philanthropy for start-up costs, research and demonstration programs, ongoing support, expansion of services, and subsidies for the poor and near poor.

National agencies with local, regional, or state affiliates must provide strong, continuing leadership in their areas of services. Those seeking to develop a network of community services across the country need increased general support funds, as well as funds to assist large numbers of communities in developing quality services to meet their expanding needs. Only as specific services become more widely available to those in need of them will the voluntary sector be able to meet fully its obligation in our pluralistic system.

The continuing development and implementation of standards of excellence for services, of improved methods of financial and program accountability, of new and better ways to organize and develop widely needed social services will require the same generous philanthropic support in the future that has been forthcoming in the past. If voluntary agencies are to remain a strong component in our social welfare system, helping to reinforce the values of pluralism and freedom of choice and providing leadership in public as well as private social services, we must continue to look to private philanthropy for major, continuing, creative support.

Appendix A

The Problem of Defining Social Welfare

Basically, the social welfare field is directed toward the disadvantaged members of our society. These individuals and families are found at all economic and educational levels, but they tend to be concentrated among the poor, among the very young and old, among racial and other minorities.

Some years ago, Elizabeth Wickenden, in an article entitled "Frontiers in Voluntary Welfare Services," stated that "Social welfare is simply the organized measures through which society provides assurance that the recognized social needs of individuals will be met and that those social relationships and adjustments considered necessary to its own functioning will be facilitated."*

Within the public field, the controlling definitions of social welfare are those found in federal legislation and regulations. With regard to the Aid to Families with Dependent Children program, the definition in Title IV, Part B, of the Social Security Act is as follows:

> For purposes of this title, the term child-welfare services means public social services which supplement, or substitute for, parental care and supervision for the purpose of (1) preventing or remedying, or assisting in the solution of problems which may result in, the neglect, abuse, exploitation, or delinquency of children, (2) protecting and caring for homeless, dependent, or neglected children, (3) protecting and promoting the welfare of children of working mothers, and (4) otherwise protecting and promoting the welfare of children, including the strengthening of their own homes where possible or, where needed, the provision of adequate care of children away from their homes in foster family homes or daycare or other child-care facilities.**

By and large, the major emphasis over the years in both governmental and nongovernmental programs for children has been on services such as adoptions, foster home care, day care, homemaker service, and family counseling.

More recently, there has developed a comparable pattern of services for older adults which fall under headings such as information and referral services, protective services, services to enable persons to remain in or return to their homes or communities, services to meet health needs, homemaker services, services to individuals to improve their living arrangements and daily activities, including improved opportunities for social and community participation. In addition, many special services have been developed for the aged, the blind and other handicapped persons.

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*Elizabeth Wickenden, "Frontiers in Voluntary Welfare Services," *The Nation's Children: Problems and Prospects*, Vol. III (New York: Columbia University Press, 1960), p. 4.

***Compilation of the Social Security Laws*, Vol. I, Sec. 425 (Washington, D.C.: U.S. Government Printing Office, 1973).

The general public still has difficulty differentiating between voluntary – that is, private nonprofit organizations and agencies – and volunteers. Actually, in the social welfare field many voluntary agencies are more professionally oriented and have a higher ratio of professionally trained staff to other workers than their public counterparts. They may or may not use volunteers, although the current trend is to increase the utilization of volunteers (professional and nonprofessional) in all social welfare agencies, public or private. The agencies which focus on the recruitment, training, and placement of volunteers, such as Centers for Voluntary Action, usually have professional direction and supervision, although the volunteers they recruit may be nonprofessional.

With the enactment of the Social Security Act in 1935 and subsequent amendments which expanded its scope, government responsibility for income maintenance has relieved voluntary social welfare agencies of the high costs of direct financial assistance for needy individuals and families, except for some critically needed emergency funds or, in the case of a few agencies, subsistence funds for the destitute. This does not mean that income maintenance programs meet a reasonable level of adequacy, but simply that the responsibility has clearly been transferred from private to public resources. The typical nonpublic social welfare agency today is concerned with one or more of the following activities: specialized types of care and/or services; experimentation and demonstrations of new ways of meeting specific social problems; research, usually of limited scope and directed toward the agency's mission; development and maintenance of high quality services; advocacy for vulnerable groups; community and program planning; and coordination of specific services or of a number of services. Also, there is often a close relationship with educational institutions that provide the professional and paraprofessional training essential to quality services.

Voluntary social welfare has many auspices, irrespective of the geographical level at which it functions. However, agencies (both single-function and multi-function) fall generally into two broad groups: (1) independent agencies and organizations which are incorporated under state laws and operated by boards of directors and paid staff and which may or may not have a supporting membership and (2) agencies and organizations under Catholic, Jewish, or Protestant auspices.

Appendix B

Examples of Foundation Support For National Voluntary Social Welfare Agencies

The American Public Welfare Association, which has for 40 years played a strong leadership role in the development of income maintenance programs and health care for the poor and of related social services, received support from the Rockefeller Brothers Fund in its early years. The Field Foundation underwrote substantial projects for APWA, such as a grant to initiate a child welfare services competency, another to promote civil defense activities, two separate grants for nationwide studies of the Aid to Families with Dependent Children program, and the innovative "shirtsleeves" sessions to bring together leaders in social welfare, business, and philanthropy for indepth discussions of social welfare needs in relation to governmental programs.

The National Social Welfare Assembly, now known as The National Assembly of National Voluntary Health and Social Welfare Organizations, Inc., has received significant grants from many foundations. Start-up funds in the mid-1940s came from the Russell Sage Foundation and the Columbia Foundation. Subsequent grants for a variety of purposes have come from a number of foundations, including several identified with major corporations. The *Standards of Accounting and Financial Reporting for Voluntary Health and Social Welfare Organizations*, developed jointly with the National Health Council in 1964, was financed by The Rockefeller Foundation and the Avalon Foundation. Implementation of these standards was financed by The Rockefeller Foundation, W.K. Kellogg Foundation, Rubicon Foundation, W. Alton Jones Foundation, and New York Foundation. Other foundations have contributed generously to other special projects.

The Center on Social Welfare Policy and Law, established at Columbia University in 1965, received its initial operating funds from the Stern Family Fund. Similarly, The National Council on the Aging, Inc., was established through a Ford Foundation grant. Because of the essential role of The National Council in developing a national understanding of the aging, their needs, and services to promote their well-being, it has received many subsequent grants, including a recent grant from the Edna McConnell Clark Foundation to establish a National Media Resource Center on Aging.

A major example of foundation support to the sectarian field was the underwriting by the New York Foundation of the organization of the Council of Jewish Federations and Welfare Funds, Inc. From its initial membership of 12 communities, the organization has expanded to include almost 800 communities committed to joint action on common needs, shared experience and standards of excellence.

The role of The Lois and Samuel Silberman Fund in contributing to social work edcuation is an outstanding example of how a fund with a carefully defined area of interest can affect an entire field. For example, during the decade that the fund has been in existence, it has funded priority areas for the Council on Social Work Education, usually after careful joint work on the specific project, and consequently has broadened and strengthened the work of this essential national agency.

The National Council for Homemaker-Home Health Aide Services, Inc., which has been in operation for the past 12 years, has been able to develop this much needed area of services to families and individuals through large and small grants from foundations (the Ittleson Family Foundation, Field Foundation, Mary Duke Biddle Foundation), corporations, and other private philanthropic sources. Its most substantial grant to date was made by the W.K. Kellogg Foundation to underwrite in large part the development and implementation of performance standards, a program that has already had major impact nationwide in improving the quality of homemaker-home health aide services.

The recently published *Progress on Family Problems* by Dorothy Fahs Beck and Mary Ann Jones of the Family Service Association of America, another large-scale project in the social welfare field, received grants from the Prospect Hill Foundation, Ittleson Family Foundation, Mildred Anna Williams Fund of the New York Community Trust, Van Ameringen Foundation, and Shell Companies Foundation. Since the beginning of the project in 1970, 3,596 cases have been studied with follow-up reports completed for more than half of the cases.

Another national social welfare organization that has benefited from foundation grants is the Child Welfare League of America, Inc. Currently, the Edna McConnell Clark Foundation is supporting a National Center on Adoption for the hard-to-place child and participating with the Booth-Ferris Foundation in financing development of a model computerized tracking system for children in foster care. Another project, supported by the Hecht Magazine Foundation, is directed toward examining institutional care and its effect on dependent, neglected, and emotionally disturbed children. The Ittleson Family Foundation has, over a period of years, supported the Child Welfare League's development of standards in child care which have upgraded both public and private services.

The substantial voluntary support given the decennial White House Conferences on Children and Youth and on the Aging deserves special mention because of the impetus these conferences have given to public and private social welfare.

(See The American Association of Fund-Raising Counsel, Inc., *Giving USA*, for a list of other private gifts to social welfare.)

Footnotes

1. Alan Pifer, *The Non-Governmental Organization at Bay* (Carnegie Corporation of New York, 1966), p. 3.

2. American Association of Fund-Raising Counsel, Inc., *Giving USA*, 1975, pp. 6-7.

3. Ibid., pp. 8-12.

4. John H. Watson, III, "Biennial Survey of Company Contributions," The Conference Board (New York), Report No. 606, p. 10.

5. Ibid., p. 6.

6. *Statement on United Ways*, Interfaith Consultation on Social Welfare, 1972, p. 6

7. The Child Welfare League of America, *A National Program for Comprehensive Child Welfare Services*, 1971, pp. 17-18.

8. *Statement On United Ways*, op. cit., 1972, p. 4.

9. The Child Welfare League of America, op. cit.

10. *Foundations, Private Giving, and Public Policy*, report and recommendations of the Commission on Foundations and Private Philanthropy (University of Chicago Press, 1970), p. 132.

11. See "Non-Profit Report," *The Philanthropy Monthly* (June 1974), Vol. 7, No. 6.

12. The Child Welfare League of America, op. cit., p. 14.

THE VOLUNTARY SOCIAL AGENCY EXPERIMENTS, INNOVATES, DEMONSTRATES, AND INFLUENCES PUBLIC SOCIAL POLICY: THE COMMUNITY SERVICE SOCIETY OF NEW YORK, 1930-1970

Joseph L. Vigilante[†] and Ruth Kantrow[*]

Introduction

The steady increase over the past 40 to 50 years in the quantity and quality of tax-supported social services has called into question the role of the voluntary social agency as a social institution.[1] In the face of the strongly held assumption that in a democratic society voluntarism makes possible the expression of the humanitarian values and aspirations of individuals and small groups, the central emerging question has been, How can a voluntary agency best contribute to a democratic society vis-a-vis an expanding network of governmental social services that tends to assume many of the responsibilities formerly held by the voluntary agency?

With an increasingly mobile technological-industrial society, the problems of the poor, the aged, the undereducated, and the handicapped have multiplied in number and complexity. As a result, government at all levels has been forced to assume responsibility for the mass delivery of social services. The economic depression of the 1930s is perhaps the outstanding example of the pressure upon government to assume responsibilities in the human services field. It was then that the federal government began to support both income maintenance programs and social services for populations at risk.

Given the expanding role of government in the human service delivery system, it is not surprising that leaders in the voluntary philanthropic sector should see the necessity of reexamining and redefining their roles. As human need has become more complicated and more widely dispersed, the cost of social services has increased geometrically. Although a significant part of the cost of these services is now covered by the tax dollar, the demand for voluntary dollars continues to grow. Therefore, no question can be more appropriate or more pertinent than one that addresses itself to the future relationship between voluntary and public human service delivery systems.

This study covers the years between 1930 and 1970, when voluntary social services in America saw tax-supported programs moving into areas of human service that had traditionally been theirs alone. To provide a basis for examining the future role of voluntary social agencies, the study reviews the historical development and activities of one large metropolitan voluntary social agency, the Community Service Society of New York. While the Community Service Society cannot be considered representative of all voluntary social service organizations in the United States, it has been selected as one example of how a voluntary social agency, with a relatively high level of financial and human resources and experience, might perform. The Community Service Society is a non-sectarian voluntary social agency; thus our analysis of its functions is not complicated by the overtones of sectarian or special ethnic or cultural demands on services.[2] While the Community Service Society is not a typical social agency, neither is it unique. We suggest that similar voluntary social welfare organizations in large cities throughout the United States have probably experienced many of the same problems in their efforts to provide social services admist the whirlwind of social change in the past 40 years. We believe that the study's findings suggest appropriate models of service for those agencies and those communities that have the capacity to amass resources similar to those of the Community Service Society.

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In our investigation of the Community Service Society, we have focused on its special contributions as a voluntary nonprofit social agency. The findings are based upon the activities of the Society from 1938 to 1970 and upon the activities of its two predecessor agencies, the Association for Improving the Condition of the Poor and the Charity Organization Society of New York, from 1930 to 1938. With the cooperation of the Society's general director and staff, we had access to the agency's archives and to several individuals who had been on the staff during the early years. We had no contact with members of the board of directors, but did conduct two interviews with the general director. In addition, we discussed the impact of the Society's programs (primarily its public affairs programs) with representatives of other social agencies in the city.

We have reported our conclusions and have provided illustrations to support them. We have not, however, attempted to relate specific conclusions to specific data in any comprehensive fashion because of the limited amount of time available for the study.

I

A BRIEF HISTORY OF THE COMMUNITY SERVICE SOCIETY

The Community Service Society, one of the oldest voluntary social agencies in America, was formed in 1938 with the merger of two well-established social agencies in New York City, the Association for Improving the Condition of the Poor (AICP), founded in 1843, and the Charity Organization Society of New York (COS), founded in 1882. These agencies had functioned as parallel systems of delivering services to people in need. In addition to providing the customary social services – visits to the poor, financial aid, and health services – they attempted scientific approaches to charity, established a variety of institutional settings for special groups such as the elderly, and gathered data on social problems with the purpose of influencing local, state, and national social policies. Both agencies had the vigorous support of the social and business leadership of the city; their boards of directors included outstanding individuals in business and the professions. (Today, the board of directors of the Community Service Society includes some of the city's most prominent leaders in business, the professions, social affairs, and education. The Society, like most other voluntary social agencies, has in recent years endeavored to broaden its board membership by including representatives of the city's working class and socially and economically deprived classes.)

The activities of the AICP and COS illuminated two major theories regarding the basic thrust of social service delivery systems: the responsibility of social organizations to administer to the deprived (social rehabilitation) and the responsibility to prevent social breakdown (social reform). The AICP was a more typical direct-service organization, with the primary purpose of providing services to individuals, groups, and communities who were the victims of social institutional failure – unemployment, poverty, disease, family breakdown. The COS, while it performed some of these activities, was primarily engaged in the organization of services and the development of informational, educational, and social change systems designed to influence social policy and point ways towards the reform of social systems.

The merger of AICP and COS symbolized the inseparability of these two philosophical thrusts in the delivery of social services, two points of view that continue to be reflected in the activities of the Community Service Society. During certain periods of the Society's history, one view seems to have gained prominence while the other has receded in importance, and vice-versa. For example, for the past several years the agency has been decreasing its direct-service responsibilities and has become more involved in social education, social planning, and social research.

In 1970 the Community Service Society had an endowment of over $48 million and an operating budget totaling $4,829,823. The agency's major administrative divisions are the general director's office, which includes program planning and research and communication; department of public affairs; department of community services; and department of management and general. The agency's program is developed through eight functional committees of the board of directors: aging, education, general programs and issues, health, housing and urban development, social services, income security, and youth and correction. The Society is currently undergoing a structural reorganization based on its 1971 self-study report[3] which recommended that the agency reduce its direct-service activities and place greater emphasis on community development, while at the same time continuing to offer direct services to communities with which it has worked and to communities that have identified service needs through their own internal processes.

Functions of the Voluntary Social Agency

Most, if not all, of the functions that have been widely accepted by professionals and leaders in the social welfare community as characteristic of the voluntary social agency[4] are being questioned today. Although many of these functions may be identified with public social agencies,[5] they are assumed to be primarily or exclusively within the realm of the voluntary agency.

The conventional wisdom of the social work profession holds that in serving the welfare needs of the community the voluntary private agency is uniquely equipped to recognize community needs, to develop new forms of service delivery, to mobilize public support for social change, and to monitor public social services.

Responding to community needs. To be responsive to community needs implies a readiness and ability to identify problems as they emerge. In a voluntary agency, information about social problems can be brought to the attention of the policy-making body with greater speed and facility than in the large bureaucratic structures of a public agency. In many voluntary agencies the board membership, which has traditonally been drawn from the economic and social leadership of the community, has been expanded to include indigenous leaders of community groups served by the agency, bringing the board closer to the scene of action. In the public agency, policy is most often determined by groups of individuals much farther removed from the target area.

Responsiveness to need also implies flexibility in developing and adjusting programs to meet individual and community problems. The voluntary agency can change its policies more quickly than governmental agencies. Moreover, the process of accountability is not as complex in the voluntary agency as in the public agency. The public agency is ultimately accountable to the population at large (more specifically, the electorate), but the capacity of this constituency to affect policies through a maze of public administrators, professionals, and legislators is limited. (These groups often act as barriers to rather than facilitators of policy change.) The voluntary agency, in contrast, is more directly accessible to the community and the consumers it serves.

Developing innovative and experimental programs. Voluntary agencies can develop and implement programs to meet social problems that tax-supported governmental agencies often cannot undertake. The voluntary agency is less influenced by political issues, such as school busing, community organization in ghetto communities, or the special needs of ethnic groups, and can therefore build a wider base of support and greater credibility in the community.

Emphasizing quality rather than quantity of services. The voluntary social agency has greater opportunity to focus on the quality of service rendered than does the public agency. For example, it can, at its own discretion, limit the number of individuals it serves at any one time. It can more easily define which social problems it will address and is less subject to public administrative or legislative influence with respect to those social problems it attempts to ameliorate or prevent.

Mobilizing the community toward social change. Because its policy-making body is more broadly representative of the public served, the voluntary agency can better mobilize the community to address identified social problems. Its capacity for community organization is closely related to its identification with the community by the community. While the voluntary social agency is limited in its social action activities by provisions of the Internal Revenue Code, it still has greater flexibility than the public agency enjoys. In addition, its employees are not bound by the limitations of the Hatch Act. The knowledge gained by voluntary agency social workers with respect to dysfunctional social policies, for example, can be used in partisan politics outside of and unassociated with their employment in the agency. This is not true of public employees.

Monitoring public social services. The voluntary agency can serve as both a supporter of good public services and a critic of inadequate services. As a representative of the community, it can assess and report on the performance of public agencies in delivering social services.

II

THEMES OF SERVICE AND ACTIVITIES OF THE COMMUNITY SERVICE SOCIETY

The Community Service Society does not describe or categorize its activities in terms of the five classical functions of the voluntary agency, nor is it preoccupied with any particular set of functions. Instead, the Society has over the years developed five service themes which are reflected in its various programs.

1. The Society has long had a professional concern with the family as the fundamental and central institution of a democratic society. From this has flowed the concept of *family centered social services* in which the family, rather than the individual alone, is the client. The Society's development of the family concept can be related to the recent thrust toward family-centered services in public agencies. For example, beginning with the Bureau of Family Services in the U.S. Department of Health, Education and Welfare in the early 1960s there followed the establishment of state and local departments of family service now common throughout public social service systems. In the past 10 years, public agencies have shifted their emphasis from welfare services to family services.

2. The Society stresses that social workers must *individualize need*, that is, differentiate need from individual to individual and from family to family. Here we observe an early recognition that individuals have special needs related to their individual and family life styles and to the cultures and subcultures in which they live. Social services must be organized to meet the special, if not unique, experiences of a particular individual in a particular family.

3. Social welfare organizations must link problem-solving methods to methods for *preventing social problems*. The Society's concern with prevention has led to a variety of efforts at the individual, family, neighborhood, local, and state levels to develop social programs directed towards the improvement of social conditions.

4. The Society maintains that there are systemic *interrelationships among social*

institutions, individuals, and families both in the creation of social problems and in the development of methodologies for problem solving. Social institutions such as public housing, public education, health services, and law enforcement services are recognized as having a direct relationship to combinations of problems faced by families and individuals. To improve the conditions of individuals and families, it is necessary to make certain changes in these institutions.

5. Finally, the Society gives high priority to the development and testing of *professional knowledge* required to improve social services.

These themes reveal a *quality of service* that, we believe, is unique to the voluntary agency and has thus far been difficult to duplicate in the public agency. In the following pages we discuss the activities of the Community Service Society within the context of the five traditional functions of the voluntary agency and with reference to the five service themes developed by the Society.

Responsiveness to Community Needs

The economic depression of the 1930s bears witness to the capability of voluntary agencies to respond quickly to social calamity. The Association for Improving the Condition of the Poor and the Charity Organization Society, the two predecessor agencies of the Community Service Society, took the lead in New York City in organizing 12 private voluntary social agencies to provide financial assistance to the growing number of families in financial need. At that time, city government made no provision for financial assistance to families in their homes, aside from the State Widow's Allowance Act and Workmen's Compensation. The newly established voluntary organizations appealed to the business community to help finance the new Employment Work Relief Bureau at the municipal level. Faced with massive unemployment and inexperienced in the welfare business, the local government drew upon the experience of the Association for Improving the Condition of the Poor which had performed similar duties 50 years before. In 1931, a total of $38 million was spent on relief in New York City. Of this amount, $14 million was contributed by the AICP and the associated voluntary agencies.

By 1934 the Association for Improving the Condition of the Poor began to demonstrate an *individualized service program.* It identified a group of its clients as the "working poor," a term that was to be widely used 30 years later. It pointed out that full employment did not yield an adequate standard of living for many families and that one of every six working families in the city was economically dependent.

As public services were expanded during the 1930s, the AICP began to identify groups of individuals who were not being cared for by the various public programs or were not covered under public policies. The Charity Organization Society noted that it would take more than economic assistance to rehabilitate families; family breakdown was related to a variety of factors, only one of which was economic. Both the AICP and the COS worked in cooperation with the city's Department of Public Welfare to provide comprehensive family services that would help combat the effects of economic and social deprivation. They demonstrated through numerous projects the psychological impact of unemployment, of fatherless families, of change in breadwinner roles in the home. The two voluntary organizations provided casework consultation to public agencies to help them deal with the psycho-social character of client problems.

As the need arose for services for homeless men, women, and children, the AICP and the COS began to develop different types of programs. Both agencies worked for the reform of the judicial system as it related to families and youthful offenders. They individualized programs for the elderly, including subsidized apartment dwellings and dwellings for groups of youths who needed supervision, and provided consultant services to the New York City Board of Education.

Just as the Depression had created complicated human and social problems far beyond that of economic dependency, World War II created new family problems. The Community Service Society, which had been set up at the end of the 1930s, increased its caseload during the war years, for although the general economic condition of the city was improved, families needed help to cope with new problems caused by disruption of the family unit. During this time, the Community Service Society also helped many of the new arrivals to the city, refugees from war-torn Europe and persons from rural communities seeking employment. Most of these families were not eligible for public agency aid. Many were in need of financial assistance but they were also presenting problems associated with personal and social dysfunction. The public agencies were not equipped to reunite families or provide job and personal counseling or special education for adults and youth.

The depression years and the war years were times of great national crisis. During both of these critical periods, the public agencies were slow to adapt to new, rapidly evolving social crises. The nation depended upon the voluntary social agency to help those in need.

After World War II, in the early 1950s, the Community Service Society continued to focus on troubled families, but there was an increasing recognition of the extent to which conditions external to the family influenced the quality of family life. Interested in the prevention of problems within the family, the agency became more concerned with poor housing and inadequate social and health services and directed more of its attention toward *neighborhood improvement*. In cooperation with the city, the Community Service Society developed procedures for relocating tenants in areas designated for public housing. In 1955, at the request of neighborhood agencies and the New York City Housing Authority, the Community Service Society opened an office staffed by a caseworker and a public health nurse. Families had been overwhelmed by the deterioration of their own housing and their inability to find new housing. The Society arranged for better maintenance and repair of existing housing, helped families to establish their eligibility for public housing, relocated others to private housing, made referrals to the Department of Welfare, and provided a variety of services such as casework, public health nursing, and vocational and rehabilitative services to families whose problems were not directly related to housing but who required assistance in coping with stress situations. Through these projects the Society demonstrated that the use of specialized skills in family service combined with community resources can effectively reduce trauma and hardship for families facing relocation. The results were reported by the Society in *Not Without Hope*,[4] which was widely distributed in the social welfare community. Several of the report's recommendations were subsequently adopted by the city's housing authority.

A number of cooperative efforts with other social agencies, such as the courts, hospitals, and schools, followed. The Society placed a caseworker in the family court division of the Domestic Relations Court for intake and referral to the Society's district offices. In cooperation with the New York City Departments of Health and Hospitals and the New York College of Medicine, the Society established in East Harlem a demonstration project of family health nursing for pregnant mothers and their families. The Institute of Welfare Research, which was launched in 1941, designed the project and the evaluation procedures for testing the effectiveness of a family public health nursing service as an adjunct to existing clinic and hospital service. The first evaluation report indicated the need for public health nurses attached to prenatal clinics of municipal hospitals and recommended that the urgency of health needs ought to be the primary selective factor. The Society was now developing outreach programs for troubled families. Caseworkers were moving out of their offices into the homes of families who were unable or not ready to approach the agency for help.

By 1960 the Society had begun to shift its emphasis from direct service to families to indirect service and community change. More effort was directed towards improving the quality of the neighborhood and social institutions (public welfare, schools, the courts, and medical facilities) that impacted so heavily on client families. The agency, in cooperation with the New York City Board of Education, started a five-year demonstration project designed to help gifted children from Harlem realize their intellectual potential. It initiated a number of demonstration projects in cooperation with the New York City Department of Public Welfare, one of which was concerned with problems of juvenile delinquency in families served by the Aid to Dependent Children Program. Later it initiated another demonstration project with the welfare department in which 25 families who were for the first time receiving public help would be jointly served by both agencies. The Society also provided a wide range of supportive services, including health care, homemaker, home economics, and casework services. In each demonstration project, control groups were established to study the effect of intervention.

In 1960, four years before President Johnson declared a national war on poverty, the Society, at the request of the New York City Youth Board, assumed primary responsibility for an anti-delinquency project in the South Bronx (Community Action Program). The purpose of the project was to determine whether a task force of professional social workers could provide services that would improve the climate of a neighborhood, making it more conducive to the healthy development of children, and whether local groups and institutions could be strengthened to maintain such services. The project was described as a laboratory for community planning. It was hoped that it would serve as a model for a citywide program. Work was directed towards developing a number of parent-education programs and cooperating with existing agencies to develop an effective grass-roots movement. The Community Action Program set up an advisory council composed of local clergymen, school officials, businessmen, and directors of public and voluntary agencies. It established a central registry and a tutoring program. Community Action Program volunteers organized a series of summer programs, a cooperative play school manned by volunteer workers, and an information and referral service supervised by a professional social worker. Residents organized themselves into tenant groups, block organizations, and various committees addressed to specific problems such as school curriculum and community planning. For the first time, many parents testified at public hearings on matters relating to the welfare of their community. By 1967, the primary goal of the Community Action Program had been achieved, and the activities of the demonstration project were taken over by a grass-roots community group, Community Action for Neighborhood Development, Inc. The final Community Action Program report, including recommendations for community development, was sent to the city's Human Resources Administration. Apparently, the Society made no effort to determine whether the recommendations were carried out.

Innovation and Experimentation

Having recognized the importance of focusing on the problems of the individual when dealing with family stress, the agency made available to its professional staff a psychiatric consultation service. Some psychiatric services were offered directly to families. There is no evidence of an attempt to study the value of this effort.

The Community Service Society initiated a program of homemaker services in 1944. Fifteen women were trained in homemaker skills to help maintain families faced with a temporary crisis, such as illness of mother or absence of father, and prevent the relocation of children. These services were increased over the years and were offered to families on both a short-term and long-term basis.

The agency began early to experiment with group services for treatment and teaching. A variety of client groups – young married couples, adolescents, unmarried mothers – were offered this form of service, which at the time was not available from public agencies. In the 1960s the agency undertook to compare the use of short-term treatment of families with long-term treatment. The agency's counseling program was the subject of intensive study, the results of which were reported in the publication, *Brief and Extended Casework.*[7] The report was used in courses in professional schools, and it stimulated a number of other studies addressed to the development of social-treatment models.

In 1966, SERVE (Serve and Enrich Retirement by Volunteer Experience) was initiated by the Society as an innovative service for the aging. This project, which initially operated on Staten Island, sought to enlist the skills of the elderly volunteer in a variety of community health and welfare agencies. The project proved to be mutually helpful: the elderly volunteers showed gains in social functioning and the agencies received needed services. The success of SERVE stimulated the development of similar programs in many other communities and a national program, RSVP (Retired Senior Volunteer Program).

Out of the recommendations of the Society's 1971 self-study report came perhaps the most drastic innovation in the history of the Community Service Society. The study recommended a change in the emphasis and direction of professional concern from the family in trouble to the community in trouble. The Society's current project, CAUSE (Community Association United in Service for Everyone), which operates in the Chelsea area of New York City, is an example of its new role in community-oriented service delivery. The program, which is expected to serve as a model for other city neighborhoods, has made progress in developing neighborhood-based service delivery by means of information and referral and multi-service agencies. After 6 months of operation, 84 agencies are cooperating in the project and almost 900 residents have been helped. It has also provided casework consultation, legal assistance, and budget planning through local private and public agencies. Each of the programs has a research component.

Emphasizing Quality Rather Than Quantity of Service

The Community Service Society (like its predecessor agencies) has long recognized that it cannot assume responsibility for welfare programs affecting large numbers of people. Instead, the Society has concerned itself with the quality of service rendered, particularly the nature of the professional service offered and the educational preparation of staff.

The Community Service Society and its two predecessor agencies have had a long history of transforming neighborly concern into more disciplined forms of helping people. The Society has led in the support of professional education and in providing field experiences for professional social work students. In 1906, the Society established the New York School of Philanthropy (later the New York School of Social Work and now the Columbia University School of Social Work) for the graduate education of social workers. The Society was a major source of the school's financial support until 1946. Many of the Society's staff members served on the faculty. Curriculum development was a mutual concern of both the agency and the school. The agency provided field placement for students in its district offices and classroom instructional material from its records. It continues to do so today.

The interest of the Community Service Society in professional education extends beyond its relationship with the school of social work. During the 1930s its staff organized in-service training programs for supervisors in the newly formed Department of Welfare of New York City. In 1941 it lent a staff member to the University of Puerto Rico to help organize a graduate school of social work.

As a field instruction center, the Society has provided services to schools other than the New York social work school. It has placed students from five different schools of social work, and during the 1950s it offered field placements to public health nurses at the post-graduate level in cooperation with Columbia University Teachers College.

As early as 1940, the Community Service Society provided financial assistance to Black students from ghetto areas who wished to enter a school of social work, and in 1956 the agency initiated a broad program of scholarship assistance to social work students. These activities predated similar governmental and public agency support for social work education.

The agency has also been interested in developing the expertise of professionals in the social work field. It has frequently lent its workers to public agencies to serve as consultants or to set up training programs for personnel who would be involved in the delivery of services.

The quality of professional service depends not only upon the education of individual practitioners but, equally important, on the knowledge and experience from which services are developed. (As Toynbee wrote, "to make benevolence scientific is the great problem of the modern age."[8])

The 1934-35 annual report of the Association for Improving the Condition of the Poor stated that the development of a professional implies more than an "understanding heart and a strong constitution." There is also a need to understand the causes of distress. The Community Service Society has invested much of its resources in expanding the knowledge base of the profession, not only by stressing and supporting professional graduate education but also by sponsoring and encouraging study and research on social work practices. One of the first major studies conducted by the Society's Institute of Welfare Research resulted in the development of the movement scale, a method of measuring change in clients receiving casework services.[9] The scale is widely used in social work research. There followed studies on problems of children and employed mothers, the casework interview, and the results of casework treatment.

The Institute of Welfare Research, working closely with the various service departments of the Society, has conducted studies on services for the aged, on the relationship between services and problems of clients, and on casework methodology. Other studies have included an evaluation of the SERVE project, a study of families applying for public assistance for the first time,[10] a study of intellectually gifted children in a ghetto area, and a series of family privacy studies.[11]

Mobilization of the Community to Address Social Problems

In 1909 the Charity Organization Society created a Tenement Housing Committee. It lobbied for years in Albany for an adequate multiple-dwelling law, and one was finally passed in 1928. By the end of the 1930s, the COS housing committee was actively reviewing all housing bills before the state legislature and making its recommendations known to legislators and the governor. In 1938, the year of the merger, the Community Service Society articulated a housing program that included the need for new housing, rehabilitation of slum dwellings, standards for single-room occupancy, and provisions to strengthen existing housing standards and embraced the concept of neighborhood conservation.

During the 1940s the agency worked with city officials in upgrading qualifications for housing inspectors and was successful in obtaining recognition of social-work or public-health training as credit toward qualification for certain city civil service positions in housing. During the early years of World War II, the agency foresaw the tremendous need for increased housing in the city as old buildings deteriorated and new family units were being built.

Working with the New York City Housing Authority, the Community Service Society developed a number of projects to ease the plight of those families facing relocation, including a community center in East Harlem devoted to educational and recreational services for the residents of new city housing. This center, the Weldon Johnson Community Center, became an independent agency after two years.

The Society in 1942 undertook a comprehensive study of the existing Multiple Dwelling Law to upgrade it for large-scale building programs and, one year later, supported the efforts of a joint legislative committee to recodify the law. It promoted legislation to increase state subsidies and state loans for housing and worked to prevent any relaxation of housing standards. It also supported rent control and prepared a brochure, "How Rent Control Works for You," which was widely distributed. *The Slums New York Forgot,*[12] a study conducted by the Society on one-and two-family dwellings in New York City, was submitted to the city's department of health with recommendations for setting standards and upgrading control of existing dwellings.

The Society supported the efforts of the New York City Department of Health to establish district health offices within the city. At the federal level, it actively supported the Wagner-Ellender-Taft Bill of 1949 which provided funds for public housing.

The Society's 1948 self-study report,[13] in its description of the role of the agency in service to the community at large, emphasized the importance of increasing public understanding of broad social needs and of meeting these needs through social action. The Society established a Committee on Public Affairs which was primarily concerned with the administration of justice and court reform. Under the sponsorship of the committee, studies were conducted on the patchwork of services for detention of deliquent children in the city, on state correctional facilities for youthful offenders, on administrative changes to broaden the jurisdiction of the family court, and on shelter care for children awaiting placement. Recommendations were shared with the appropriate city and state officials. During the 1950s, the agency attempted to mobilize communitywide support for the improvement of administrative decisions and legislation affecting many areas of social welfare by sharing its findings and recommendations with civic groups, concerned private and public agencies, and influential city leaders.

The Society's 1960 self-study report, *Searchlight on New York,*[14] recommended that greater emphasis be placed on the public affairs aspects of the agency's activities. To strengthen the efforts of the Committee on Public Affairs, the report urged that the committee's program be broadened to include the development and operation of demonstration and research projects in problem areas such as aging, correction, family and child welfare, familty-life education, health, housing, and youth. In addition, the report strongly advised that the director of public affairs be assisted by staff members who were specialists in the various problem areas and that each subcommittee have an enlarged lay committee. By carrying out these recommendations, the Society not only strengthened its public affairs committee in relation to policy and program development but it also increased its ability to organize community action for social welfare reform on a broad front. The Society had once again demonstrated its commitment to its role in the early detection of social needs, the development of programs to meet these needs, the monitoring of existing public services, and, finally, the development of an interested and concerned citizenry mobilized to work for the improvement of social conditions.

The Monitoring Function

Monitoring of community welfare services implies the existence of standards of service. The Community Service Society has in its 37 years of operation been an active supporter of good public services and a critic of poor services. In addition, it has given leadership in providing services where none existed.

As public welfare services expanded in New York City, the Society stressed the need to professionalize services and lent its staff to develop in-service training programs. It recognized early the limits of the public program for the rehabilitation of families and the need for the development of a range of services in medical care, education, and housing.

In the 1960s the agency spoke out vigorously against the Newburgh philosophy of public assistance and urged the New York State Department of Public Welfare to establish rehabilitative service to prevent family deterioration and chronic dependency.[15] It supported constructive changes in the state's welfare program, took a strong position against residency requirements for public assistance, and recognized the impact of lack of funds and trained personnel on the public welfare program. The Society joined with other organizations in filing an *amicus curiae* brief in the United States Supreme Court questioning the legality of cuts in welfare budgets in New York State. It saw a responsibility to help educate the public concerning the importance of good public welfare standards. The Society appeared at state and city legislative hearings, strongly endorsing school decentralization and voicing its disappointment with certain aspects of the school decentralization law that was finally passed.

In a recent paper, Alvin Schorr, general director of the Community Service Society, spoke of the monitoring function of the voluntary agency vis-a-vis the public agency: "They [the voluntary agency] must state when people are being regulated and interfered with because the community planned wrongly or refused to plan. In the second place, they must be deeply enough involved with governmental services to humanize them."[16]

III

FINDINGS AND RECOMMENDATIONS

The following conclusions apply specifically to the Community Service Society. We believe, however, that they have implications for other voluntary social agencies.

1. The Society has repeatedly identified social problems in their early stages of development. It has informed the community of the problem, has accumulated data about the problem, and has worked to provide direct services to ameliorate the problem while attempting to influence related social policies. Examples of the social problems that have been identified early and addressed in this manner are housing, illness, drug addiction, and the impact of social stress on families and the aging.

2. The program development activities of the Community Service Society have, to a large degree, been innovative in terms of (1) introducing new skills and techniques in providing direct services (group work, short-term treatment) and (2) expanding the public affairs function (collecting data, educating the public with respect to social policies and their impact on the consumer).

More recently, the society has, based on its own investigations and experiences in delivering service, undertaken to redesign its entire program to respond more effectively to community needs.

There are some areas in which innovation has not been evident. We believe, for example, that the Society was relatively late in bringing consumers into its policy-making processes and in involving residents of the client communities in its policy-making activities.

3. The Society has steadfastly utilized its voluntary status to emphasize quality service. This, we believe, is related to its penchant for regular and continual self-examination. We find, however, that this process of self-examination has largely, though not totally, neglected the evaluation of long-term outcomes of service. There has been relatively limited effort to study results of service in terms of the total social functioning of clients. Most often, the self-examination has been introspective, focusing on techniques of programming and other internal processes.

4. The Society has, particularly since 1962, done an outstanding job in educating the public towards social change. Its department of public affairs has been a leader in New York State in developing the rationale for changes in social policy and is seen as an invaluable resource by educators and legislators who are involved in developing social welfare legislation. Through the publications of its bureau of public affairs, the Society has in effect provided instruments for organization of a citywide, if not statewide, social welfare community.

We do not find that the society has been equally effective in organizing and educating the client community for social change. The recommendations of the 1971 self-study report, which have moved the Society more directly towards social change activities, may stimulate efforts to organize the client community.[17]

5. With respect to the monitoring function, we find that the activities of the Society have been limited. In spite of its accumulated knowledge and professional expertise, the Society has rarely monitored public agency services. Instead, it has undertaken to monitor social need through its bureau of public affairs and Institute of Welfare Research. Furthermore, where it has monitored public social services, the bureau of public affairs has tended to examine the outcome rather than the quality of service. This is particularly interesting since the Society's self-evaluation process emphasizes internal quality of service rather than outcome of service. Both kinds of evaluation are needed.

6. The Society has over the years assumed the initiative in attempting to define the relationship between public and voluntary social services in New York City. It has cooperated with public agencies, sharing its personnel and technical skills. Although the nature of the relationship between voluntary and public social services has yet to be resolved, the Community Service Society has kept the issue before the social welfare community (professionals, board of directors, legislators interested in social welfare).

We believe that the Society has not sufficiently interpreted the role of the voluntary agency and the role of the public agency for the public at large, even though it has the resources to do so. If the new model for delivery of social services recommended in the 1971 self-study report is to be more widely implemented, education of the public about the relationship between public and voluntary social services and the need for both in contemporary social systems should have high priority.

7. Although the Society has through various projects demonstrated the value of cooperative relationships between public and private social services and although it has demonstrated special techniques and methods for delivering social services, too often the service ends when the project ends. Occasionally, projects are picked up and carried by the public agency, but usually they are not. The question is, What needs to be done to institutionalize in the public agency the successful demonstration projects?

We believe that the leadership of the Society needs to work more directly with public policy makers, both administrators and legislators, than it has in the past. When a demonstration project is initiated, the contract should stipulate that if the final evaluation is positive the public agency will attempt to undertake the program as a part of its regular service.

The voluntary agency will need to undertake demonstration projects in the direct service area to show how particular skills and techniques can be applied to problems, as well as to provide a laboratory for testing social policy and to develop yardsticks for evaluating programs. We believe that voluntary agencies cannot engage in public education and social action without also being involved, to some extent, in the delivery of services. Conversely, the delivery of social services cannot be undertaken without an effort to influence social policies that are contributing to, if not causing, the social problems to which these services are directed.

8. The record-keeping system of the Community Service Society is in itself a major social service, if not a unique contribution to social welfare. The Society has a comprehensive collection of records and documents which provide information on the work of many of its committees, program activities, and task forces for periods dating back more than 100 years. This accumulation of historical data constitutes more than a record of social accountability: it reflects a special social commitment,

a concern for the human condition. It is this commitment that represents the unique contribution of voluntary social welfare institutions.

9. Although the temptations are great for voluntary agencies and for the communities supporting them to provide direct services to people in trouble, it does appear that in the future the efforts required to meet needs on a broad scale, in terms of cost and equitable services, will be beyond the scope of voluntary social agencies (except on a temporary basis as unanticipated needs evolve).

Voluntary agencies can and do suffer from the disadvantage of special interests, whether geographically based or the particular religious, ethnic, or cultural interests of individuals. In the future, the major responsibility for the mass delivery of direct human services will probably be with the public agencies. That they may be ill-prepared to cope with this challenge does not make this responsibility less real. To accept the proposition that public agencies cannot provide individualized social services is to say there will be none in the future. The task for the public agency will be to "tool up," to organize, to deliver these social services utilizing resources provided by their tax-supported base.

The voluntary agency role, as has been anticipated by the Community Service Society, will be to help the public agency to develop the skills to deliver these individualized social services. Some of the Community Service Society's demonstration projects and experimental programs have thus far been successful. Many of them, as we have observed, place too much emphasis upon uni-dimensional approaches to intervention (either casework or group work). This has been the history of the voluntary agency, particularly the Society. Its emphasis on social casework, though invaluable, has, we believe, obscured the necessity for developing a broader approach to work in human intervention systems. More recent activity in the Society suggests that the agency will expand its scope of intervention modalities for demonstration purposes and thus be able to provide new kinds of projects for public agencies to emulate.

As the large public bureaucracies are required to assume more of the responsibility in meeting social problems, the Community Service Society can play a complementary role. It can administer services to those for whom the public bureaucracies are still unprepared to deliver a service. It can identify the early warning signs, articulate the dangers, and organize to influence social policy so that the public agencies will be better prepared to meet their responsibility.

10. Countries throughout the world are experimenting with "neighborhood models" for social service delivery. Note, for example, the developments in England following the Seebohm Report and the use of the polyvalent model for social work services in France.[18]

If the major responsibility for the delivery of individualized social services is to fall on the public agency, it is reasonable to suggest that these services will be delivered through a decentralized (probably neighborhood) model. There are many issues related to the development of neighborhood services, such as administrative and professional autonomy, whether the services should be outposts of a centralized agency or structured in some other way, the kinds of professional skills needed, and the role of local communities in determining policies, procedures, and accountability systems. These issues have yet to be throughly studied.

We suggest that the voluntary social service agencies experiment with methods of establishing neighborhood services that guarantee neighborhood autonomy and community input without sacrificing the necessary professional knowledge.

IV

SUMMARY

The Community Service Society of New York has indeed taken the initiative in innovation and experimentation in almost all areas of social service delivery, from its own social policy decisions to its direct contact with clients. There are indications that its status as a voluntary agency and the close working relationship of its policy-making body and professional staff enables the Society to respond early to social needs and, when necessary, to change its internal systems to assure effective response. Because of its voluntary status, this organization has pioneered in the development of standards for social service delivery, particularly those related to the professionalization of social welfare services.

The Community Service Society's research and monitoring activities are relatively recent in development. As noted earlier, its in-house research tends to be primarily related to the techniques and skills of direct service delivery, with little emphasis on long-term service outcome. Where it has done research in the larger community, it has almost exclusively evaluated outcomes of public social policies, but it has not related these outcomes to the character and quality of service delivery in other agencies in the community, particularly public service agencies. This, we believe, is a shortcoming.

Regarding the monitoring function, the agency has monitored *social needs* rather than *systems of social welfare delivery.* It has not attempted to identify uniform standards for social services in the broader community.

Although the Society has demonstrated its capacity for responding to social needs in a flexible manner, it has only recently made an effort to involve consumer target groups in its policy-making decisions.

Perhaps the best example of the Society's penchant for reorganizing and redirecting its services is its 1971 self-study report, which recommended that services be redirected toward community development and community organization, with due concern for the development of direct services when needs are uncovered through the community development process. The Society has only recently begun to implement this major recommendation, and while it reflects an awareness of changing social needs and neighborhood life styles, it is too early to evaluate its outcome.

We believe that the recommendations of the 1971 report do not sufficiently spell out the monitoring functions of the agency nor give it adequate guidelines for monitoring. It is our recommendation that the Society emphasize this monitoring function in future program development. We see this as a clear and unique role for the voluntary agency. Monitoring must be associated with research and demonstration since the development of yardsticks for measuring social services requires experience in delivering the services. Direct services should therefore be continued as instruments for research and evaluation, as well as for the purpose of offsetting the limited ability of large public bureaucracies to respond immediately to changing social needs.

There is a quality to the voluntary social service agency that is difficult to describe – a sense of caring which laces through the voluntary social agency service system. The following endorsement of voluntarism suggests this quality:

> What I do maintain is that do-good volunteering is as essential to human social services as highly trained professionals and the professional who disregards this need for 'do-gooders' is liable to make the most cruel mistakes . . .
>
> It should be the aim of government today to link the professional (public) and volunteer in true cooperation . . . *to foster the care element* in the cure services and to recruit, train, and organize volunteers for all the functions that are better performed by them.

In fact what distinguishes a voluntary organization is not the character of its staff but the amateur and unpaid status of those who employ them . . .[19]

Footnotes

1. In ordinary usage, the term "voluntary social agency" refers to community social service institutions that are normally neither financially supported nor administered by governmental organizations.

2. Justification for the continuance of sectarian social service programs is directly related to the special needs of ethnic, religious, and nationality groups, based on the social values of cultural pluralism.

3. Report of the Study Committee to the board of trustees of the Community Service Society of New York, 1971.

4. Sallie E. Bright, "Government-Voluntary Organizations: Public Relations Responsibilities, Opportunities," *Dynamic Public Relations and Communications* (National Public Relations Council of Health and Welfare Services, Inc., New York, N.Y., 1967); Association for Improving the Condition of the Poor, annual report 1933-1934 and 1936-37.

5. Public social agencies are defined as those supported by taxes and directly administered by public officials.

6. Committee on Housing, Community Service Society, *Not Without Hope*, March 1958.

7. William J. Reid and Ann W. Shyne, *Brief and Extended Casework* (New York: Columbia University Press, 1969).

8. Arnold Toynbee, *Lecture on the Industrial Revolution of the Eighteenth Century in England* (London: Longmeans, Green & Co., 1912), p. 74.

9. J. McV. Hunt and L.S. Kogan, *Measuring Results in Social Casework: A Manual on Judging Movement* (New York: Family Service Association of America, 1950), revised edition, 1952.

10. *Pursuit of Promise*, Committee on Family and Child Welfare of the Department of Public Affairs of the Community Service Society of New York, July 1967.

11. J.E. Mayer, "Disclosing Marital Problems," *Social Casework*, June 1967, Community Service Society of New York, Institute of Welfare Research; Mayer, *The Disclosure of Marital Problems: An Exploratory Study of Lower and Middle Class Wives*, Community Service Society of New York, Institute of Welfare Research; Mayer, *Other People's Marital Problems: The "Knowledgeability" of Lower and Middle Class Wives*, Community Service Society of New York, Institute of Welfare Research, 1966.

12. Louis P. Kurtis, *The Slums New York Forgot*, Committee on Housing of the Community Service Society of New York, 1950-51.

13. *Frontiers in Human Welfare*, Community Service Society of New York, 1948.

14. *Searchlight on New York*, Community Service Society of New York, 1960.

15. The city of Newburg, New York, overwhelmed with rising social welfare caseloads during a time of economic decline, had instituted a series of punitive regulations against welfare clients that were designed to reduce the welfare rolls. These regulations were widely criticized as a resumption of inhumane nineteenth century Poor Laws and were eventually found to be either illegal or unconstitutional.

16. Alvin Schorr, "Liberty, Government and the Family Agency," *Social Casework*, March 1974, Volume 55, Number 3, pp. 144-145.

17. Report of the Study Committee to the board of trustees of the Community Service Society of New York, 1971.

18. See proceedings, Community Service Society of New York, 125th Anniversary Symposium, October 1974.

19. The Rt. Honorable R.H.S. Crossman, Oxford, England, March 1973. Cited by Bernard Shiffman at the special meeting of the board of directors of the Community Council of Greater New York, New York City, 1974.

A REPORT ON THE ARTS

Caroline Hightower†
for Associated Councils of the Arts

Introduction

The arts in the United States have only recently "gone public." As a result, there is a crucial lack of information concerning the arts, and a lack of public understanding about their needs. Their phenomenal growth over the past decade and a half has increased their already difficult financial situation (the arts, like education, cannot pay for themselves and should not be expected to) and has led to a "management of survival." Their constituency is growing faster than their capacity to identify it.

These are difficulties, but they are the difficulties of growth and success. The arts in America today are internationally recognized as outstanding for their quality as well as their creativity, and the potential for an effective pluralism of support for the arts, both private and public, can insure that they remain that way.

The obligations of support within that pluralism are not yet understood, nor have they been fully accepted: Except for individual private patrons, no one sector of support knows what its most effective role ought to be. Unlike most subjects under study by the Filer Commission, the arts rely on private philanthropy as their principal source of contributed income, despite dramatic increases in government support over the past few years. Individual giving to the arts is still greater than all government and national foundation giving combined. And, according to a recent Ford Foundation report, *all* sources of support must increase their giving if the performing arts are simply to maintain their 1970-71 status.

In recent years a series of landmark reports was published in an effort to further public understanding about the problems of the arts. This paper is based on these reports, listed in Appendix A. These reports are all limited in that they are now dated. There is no current, ongoing data base for the arts, nor is it possible to state accurately what the gross national product of the arts industry is, despite the fact that it could offer highly persuasive evidence for their support. Nonetheless, from the facts and figures presented over a ten-year period, the arts industry emerges as impressive, in demand, and in trouble. With philanthropy as the primary focus, specific needs of the arts industry have been articulated in these reports and interviews, needs that are seen as critical if the arts are to thrive:

1. A healthy mix of both private and governmental support that will enable the arts industry to meet increasing financial needs while maintaining artistic freedom.

2. Current, concise, correlated information on the state and needs of the arts industry and the means to interpret and disseminate that information effectively.

3. A willingness on the part of both private philanthropy and government support sources to recognize the prosaic (utility bills, office supplies) as an integral part of the creative (it's hard to choreograph in the dark) and thus to make grants for ongoing support.

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I

THE NEED FOR THE ARTS

We are at a point in history where our standard of living is unprecedented. Americans have time to question the quality of that living. Technology has brought leisure time and with it the prospect of pleasure, and boredom. It has also brought television to everyman, with its capacity to provide passive entertainment and, sometimes, enlightenment, as well as an attendant capacity to bring the bleak side of the human condition into focus on a daily, deadening basis.

Illiteracy has been eliminated. Medical science has reduced the number of incurable diseases to a fraction of what they were 50 years ago. Poverty persists but not nearly to the degree it once did in this century. Despite the guarantees of education, a reasonably healthy life and a longer life expectancy, and the chance of poverty being remote, what is there to make life worth living?

It is not surprising that there is an increased public interest in the arts. They delight, infuriate, amuse, embarrass, soothe, and amaze us collectively and individually. They enhance the quality of life, renew the senses, remind us that we are vital. We have begun to re-evaluate their importance, to accept without apology or embarrassment their ability to quicken the mind and refresh the spirit, not as a privilege of the few but as a right of the many – the pursuit of happiness.

According to *Americans and the Arts*, 89 percent of our adult population (slightly less than 130 million people) believe that the arts are important to the quality of life in their communities. Sixty-four percent, or 93.1 million Americans, would be willing to pay an additional $5 a year in taxes if the money were directed to support of the arts, and 47 percent would be willing to pay an additional $25. One hundred and three million Americans attended at least one live performance of theatre, dance, or music, or one museum in 1973.

For those who need "proof of their worth," the arts have economic implications which bring them into the realm of reality. When the Arthur D. Little Company recently analyzed for the Massachusetts Department of Commerce and Development why businesses relocate, they found that the state's "environment for culture" was a "major attraction" to firms that were considering a move. They also noted that arts and humanities organizations have a direct effect on the economy of a community, in particular because they attract business and tourism but also because they construct buildings, buy supplies, purchase advertising, pay maintenance and security firms, hire accountants and lawyers, and carry insurance. They employ people who in turn spend their earnings in the community and pay taxes.

The recent Report of the Mayor's Committee on Cultural Policy for the City of New York (November 1974) estimated that cultural activities and related industries generate over $3 billion in expenditures and receipts and contribute about $102 million in local tax revenues. It also pointed out that New York's nonprofit cultural organizations spend an estimated $193 million or more each year on goods and services. "Cultural resources are vital in attracting business to New York and keeping it here. They also are an important stabilizing and strengthening factor in real estate development, and through this can be said to make significant contribution to the City's property taxes." The report also noted that "ancillary expenditures" (such as restaurants, parking lots, hotels, taxis) by those attending cultural performances totaled more than $215 million, resulting in almost $9 million in tax payments.

II

WHY THE ARTS ARE IN FINANCIAL TROUBLE

To reiterate, the arts, like education, cannot pay for themselves and should not be expected to. "Worthwhile" enterprises are expected to break even or show a profit if they are "successful," but as William J. Baumol and William G. Bowen pointed out in *Performing Arts: The Economic Dilemma*, the arts cannot hope to do this. They come within that sector of the economy where productivity cannot keep pace with the general rate of increase in costs. In describing this problem, Baumol and Bowen avoided the word "deficit" and its inappropriate implications and instead described the gap between expenditures and earned income as the "income gap." "To say there is a deficit implies that something has gone wrong, that costs must be cut or earnings increased so that the (reprehensible) deficit may be eliminated. But surely the fact that earnings fall short of costs raises questions which ought not be prejudged in the case of the arts." The Ford Foundation report, *The Finances of the Performing Arts*, going a step further, used the phrase "earnings gap," which it defined in immediate terms: "The level of costs is set by the general economy, which is based on an industrial technology that enables output per man-hour to increase steadily. But the technology of live performance has no equivalent capacity to increase productivity. A play or a symphony written two hundred years ago still has to be handcrafted by the same number of performers working the same length of time as they did at its premiere. And, if a producing organization can present only a limited number of performances each week or season to an audience limited in size by the seating capacity of theatres and auditoriums, the organization can increase its earned income only by increasing the price of its product... because it cannot increase the number of units of product sold. If it were to rely on earned income alone to meet rising costs, its admission prices would have to rise faster than other prices in the economy. By doing that, it would greatly restrict the public's access to the arts." When a major cost factor of inflation is labor, the labor-intensive arts are particularly vulnerable.

To meet rising costs it would be helpful if some way could be found to make meaningful reductions in expenditures. However, the budgets of performing arts organizations are made up of largely non-elastic items. An orchestra or theatre either has a contract with its performers or it does not. One either presents a play or concert in full or not at all. One of the significant findings of the Ford study was that the art form itself imposes limitations on the extent to which management can cut expenses by varying cost components: "While there are variations from organization to organization, they are variations around a mean determined by the nature of each performing art, a factor over which management has relatively little control. Overall budget size is determined by artistic quality, kind and scope of repertoire, number of productions, length of season, and the like. Once it is determined, so also to a large extent are the components of expenditures and the limits beyond which the management cannot vary these components in keeping costs to a minimum." For some organizations, particularly orchestras, union contracts determine major factors: salary, fringe benefits, and length of season. Of the 166 organizations surveyed in the Ford Foundation study, more than half did not balance their budgets in 1970-71, and 21 percent of the art museums in the National Endowment for the Arts study, *Museums USA*, reported operating deficits in 1971-72. Balanced budgets, by the way, do not always indicate healthy institutions. They often indicate cutbacks made in order to balance budgets. As Carl Shaver, a fund-raising expert, points out, it is possible to go "artistically bankrupt" or "program bankrupt" as well as "financially bankrupt."

Though it is not a laughing matter, the problem of escalating costs and earnings that cannot rise to meet them is perhaps most memorably stated in the "Report of a Work Study Engineer After a Visit to a Symphony Concert at the Royal Festival Hall":

> There seems to be too much repitition of some musical passages. Scores should be drastically pruned. No useful purpose is served by repeating on the horns a passage which has already been handled by the strings. It is estimated that if all redundant passages were eliminated the whole concert time could be reduced to 20 minutes and there would be no need for an interval.

The Critical Mix of Private and Public Support

Arts organizations depend on individuals, foundations, and corporations, and federal, state, and municipal governments to bridge the "earnings gap." This special mix of private and government support, though by no means evenly balanced, provides the opportunity in this country for a pluralism of support – a variety of different sources with no one source dominating or controlling the future of the arts.

This opportunity for a broad base of support is appreciated by Europeans involved in the arts because, as Ralph Burgard, a specialist in support for the arts, puts it, "A monolithic source of support lessens the odds for innovation, which is more likely to come out of a context that provides alternatives." In addition, in Europe, where the principle of virtually exclusive government support is ingrained and tax incentives are lacking, private individuals hesitate to contribute, even though their arts organizations are in fiscal trouble. In America the existence of private support is often used to justify government support and vice versa.

This important mix of private and government support is a recent phenomenon. Arts institutions in this country were traditionally supported by the very wealthy, who, emulating wealthy Europeans, "put their fortunes to good use in public settings" long before the graduated income tax provided a major incentive for private philanthropy. Gifts lead to growth, and growth to a greater need for gifts; yet it was not until 10 or 15 years ago that growth, to meet the new demands of an educated, more prosperous public, could no longer be sustained entirely by wealthy benefactors. Fears of government interference were overcome and benefactors sought public support for the institutions they had so long maintained.

In 1961 the first comprehensive program of government support for the arts since the WPA was started in New York State with an appropriation of $450,000. In 1975 government support of the arts through state and federal agencies was more than $130 million. Private support has also grown and was estimated by the American Association of Fund-Raising Counsel, Inc., at $1.2 billion for 1973. Though direct government support represents less than one tenth of one percent of the federal budget, it does indicate the exciting potential in this country for a pluralism of support for the arts.

It was also in the 1960s that the United States experienced what August Heckscher referred to as "a vast quantitative expansion of its cultural life. Where so much is happening, at least some of it must be good." The "culture boom" of the 1960s was also referred to as "the shot heard around the room" by those who felt it belied the fact that arts institutions were in serious financial trouble. The Rockefeller Brothers Fund Panel Report, *The Performing Arts: Problems and Prospects*, after discussing the tremendous expansion that had actually taken place in the arts, went on to say, "Next to this glowing picture must be placed another, more sobering one: Almost all this expansion is amateur. Vital to our cultural health as the amateurs are, the fact remains that it is on the professional performing artists and arts organizations that the ultimate responsibility for the highest levels of creative output and quality rest. In general, there has been no significant improvement in the basic health of the professional arts organizations." That was written in 1965, and it is basically still true.

Despite increases in support, the Ford Foundation study of the 166 performing arts concluded that under their "more optimistic speculations" which postulate close to a seventeen-fold increase in government support, "local private contributions would have to quadruple during the present decade if the live performing arts were simply to maintain their financial position of 1970-71" (from $36 million actual support in 1970-71 to $164 million in 1980-81). "Under less optimistic speculations postulating a seven-fold increase in government funding, which can hardly be called 'pessimistic', local private contributions, like those of the government sources, would have to increase by a factor of seven," or to $258 million. The implications of these speculations, however mind-boggling the figures, must be faced. Something has to give.

The Need for More Information to Aid the Industry and Inform the Public

Despite the depressing financial facts that are known within arts organizations, 56 percent of the "frequent cultural attenders" in the *Americans and the Arts* study felt that most cultural organizations break even or make money. The findings of the national study were borne out by similar studies in New York State, California, Anchorage, and Winston-Salem, North Carolina, a city noted for the priority it assigns to the arts.

"The way the arts are housed would often suggest a degree of affluence consistent with the wealth of the donors of the buildings. It takes a leap of the imagination for which the average citizen is unprepared to guess that behind the marble columns and abundant chandeliers lurk salaries for maintenance and utility bills which have less attraction to the typical donor than the gift of a magnificent structure that may immortalize him in name even after death and taxes." This observation in a recent article by Michael Newton and Linda Fosburg of Associated Councils of the Arts illustrates a major problem to overcome. Advertising, travel, postage – all add up. (The postal rates for nonprofit mail are scheduled to increase 815 percent in the next 10 years!) These are considerations about which the public is unaware. Private wealth, which had traditionally supported the arts, has also traditionally kept its budgets close to home. This tendency to a great extent still exists and creates serious problems. As long as an audience continues to see museums and performing arts organizations as self-sufficient, they tend to see little reason for their needing increased support. The time has come for arts organizations to stop being comparatively discreet about their financial ills and start putting their case before the public, not on a crisis basis, but as consistently and persuasively as possible so that the financial situation of the arts, like that of education, can become part of the public consciousness. "The arts cannot pay for themselves, and shouldn't be expected to." Once aware, the interested public can help the arts not only as private citizens but also as active members of unions, school boards, business, and so forth. This kind of education would not only involve disclosure of budgets but "disclosure" of services to the community. A public that is made aware of how the arts serve the community becomes more interested in how it can serve the arts. (See Appendix B, *Cincinnati: A Successful Fund-Raising Campaign.)*

First, however, the information must exist in a form that is easily communicated. At this time, it does not.

III

EXPENDITURES OF ARTS ORGANIZATIONS

Personnel costs amount to well over one half of the total expenditures for arts organizations: theatre, 62 percent; opera, 66 percent; symphony, 77 percent; ballet, 62 percent; modern dance, 56 percent (according to the Ford report), and 59 percent of total operating expenses for museums (according to *Museums USA).*

These costs would be much higher if salaries actually reflected the degree of professionalism attained by the personnel in many arts organizations. They do not. Most often, it is the artist who provides the principal subsidy for the arts through his willingness to live on an "artist's salary."

In a section called "Poverty and the Professional," the Rockefeller Panel Report states that the "miserable income of the majority (of performing artists) reflects both a shortage of jobs and the brief duration of employment that is available." The report also noted that the artist must frequently meet a variety of professional expenses out of his salary (travel, equipment and instruments, agents' fees and lessons, for instance) and often finds himself ineligible for social security and unemployment compensation. For the self-employed creative artist – the painter, choreographer, or composer – this poses a problem. Many artists rely on unemployment insurance. One of America's top contemporary dancers, Mary Hinkson, for example, performed 20 weeks in 1974 to more than 64,000 people, yet her total earnings made it necessary for her to rehearse on the money she received from unemployment insurance, which is typical of the financial state of most professional dancers in the United States.

A *Study of the Non-Profit Arts and Cultural Industry of New York State* points out that "fringe benefits offered by both government and many industries represent approximately 23 to 25 percent of employees' annual salaries, compared with less than 9 percent among arts organizations and cultural institutions throughout the state." The average for organizations in the under-$50,000 category was 6.3 percent.

In addition to the large numbers of people in the arts who are willing to work for relatively low salaries, the arts industry relies on a large number of volunteers. The New York State study shows that the total manpower of the nonprofit arts industry in 1970-71 was approximately 58,000. "Of this number, 31,000 were compensated by salaries and/or fees and another 27,000 were volunteers in substitute for paid personnel." The Endowment's museum study showed that over half (57 percent) the total museum work force was volunteer – approximately 64,200 people out of 113,300.

In reciting a litany of the financial problems that beset arts organizations, the Ford report succinctly summed up the intractable problem: "New contributors were uncovered, costly corners were cut, payments deferred, loans arranged, savings invaded, bonds surrendered, endowments diminished. If everything helped, nothing cured. Seasons were lengthened, and salaries raised. But the claim that went unuttered by everyone wise was that in the performing arts, performers were accumulating wealth."

IV

INCOME OF ARTS ORGANIZATIONS

The Earnings of Arts Organizations: When Success Doesn't Pay for Itself

Among theatres, symphonies, operas, and ballets, earned income on the average covers from about 46 percent to 64 percent of expenditures, depending on the art form. The highest percentage of earned income in the performing arts comes from the sale of tickets. In 1970-71, ticket income accounted for 89 percent of earned income for theatre, 79 percent for the opera, 62 percent for the symphony, and 65 percent for ballet.

Admissions to museums in 1971-72 accounted for only 30 percent of total operating revenues, which in turn accounted for only 29 percent of total income. This percentage is quite high, however, in view of the fact that most museums do not charge admission. Of the 1,821 museums in the Endowment study, 59 percent have free admission and only 4 percent ask for a donation. (Of the 37 percent that do charge admission, only 17 percent indicated that they thought it had significantly decreased attendance.)

Subscription income is an important factor in ticket sales, particularly for symphonies where the ratio of subscription to single ticket sales is more than 4 to 1 in their main season. A trend is also developing toward subscription sales in theatre, opera, and ballet, with good reason. Though subscription seats, sold at a discount, are not preferable if you have a hit, they represent "a bird in the hand," a firm base of advance income which is, as the Ford report puts it, "not subject to the vagaries of weather, the appraisals of critics, or other inclemencies that can cause box office torpors." They are also an affirmation of community commitment.

According to the National Research Center of the Arts, Inc., education is the single most potent factor – more so than income – among the factors that determine who is likely to be an arts attender. The young and the old, who tend to be at the low end of the income scale, are nonetheless frequent attenders if they are educated. The same holds true for educated but not affluent blacks. Joseph Farrell, president of the Research Center, states that in addition to improving the audience mix, it is also extremely important to increase the frequency of attendance of those who are already committed to the arts. He cites young attenders who upon becoming parents are cut off from the arts due to the logistical and financial problems of child care and noted that some institutions are considering child-care services to make it possible for a committed audience to attend. (Farrell also stated that he thought the arts might do well in hard times in terms of admission income because the public tends to seek "escape close to home.")

In the performing arts, earnings from sources other than admission are negligible. Despite the impact of arts programming on television, usually with corporate sponsorship, and continued sales of classical music by recording companies, earnings from recordings, films, radio and television are minimal. Three "celebrity" orchestras accounted for over 80 percent of the total recording income of the 11 orchestras with budgets of over $2.5 million in the Ford study. Artists are paid on a fee basis, not a residual or royalty basis, and therefore receive no compensation for "replacing" themselves.

Museum revenues often include sales from museum shops (everything from picture postcards to made-to-order weathervanes) and, according to *The New York Times*, "commerce is thriving." The Endowment museum study showed that museum shop and other related sales totaled $39 million in 1971-72. (Museums also received some $35 million in revenues from facilities such as parking lots and restaurants.)

In 1974 the Metropolitan Museum made a profit of $1 million from museum shop sales, or 8 percent of the museum's income. The Boston Museum of Fine Arts' sales had reached $500,000 by the end of 1974, and the Queens Museum in Flushing Meadow, a fledgling institution, reported sales of $1,000 a month in its volunteer-staffed shop.

Another important factor in the economics of museums is endowment income, which in New York State is the largest source of museums' private funds. Fifty-eight percent of the museums surveyed in New York State had endowment funds, as compared with 23 percent of all organizations surveyed. (Nationally, 27 percent of museums have endowments.) In a February 1973 article in *Museum News*, Carl Shaver pointed out that there were 81 arts organizations in the United States that have an endowment of $5 million or more. Sixty of these were museums. These organizations are earning an average yield of 7.7 percent, which is better than colleges and philanthropic foundations.

When earnings and expenditures are tallied at year's end, the outcome does not necessarily present an accurate indication of how well an institution is doing. Farrell suggests that arts organizations frequently take a "mendicant attitude toward budgeting" – projecting budgets on what they think they can raise, based on last year's budget, rather than preparing a full-service budget. Balanced budgets often mean cutbacks in facilities, services, and staff. The Brooklyn Museum, for instance, had to close several galleries on days when the museum was open to the public because they could not afford to pay for the necessary guards. Non-union performing arts organizations can, over a period of time, pull back or shorten seasons, for example, which reduces their income but does not necessarily affect artistic integrity. (Union orchestras, with longer seasons and higher pay scales, have to dig into endowment income, when it exists, to balance budgets.) Museums, however, which appear invulnerable because they house permanent objects, can lose their vitality if they do not maintain an active exhibition program and become simply a storehouse of objects.

The earnings gap described above is well illustrated by the following table from the Ford Foundation report.

Comparison of Average Expenditures and Income, 1965-66 and 1970-71

(in thousands of dollars)

	Theatre		Opera*		Symphony		Ballet		Modern Dance	
	'65-'66	'70-'71	'65-'66	'70-'71	'65-'66	'70-'71	'65-'66	'70-'71	'65-'66	'70-'71
Operating Expenditures	437	727	416	637	518	910	727	1544	160	283
Earned Income	313	481	242	364	324	461	418	946	103	200
Unearned Income	94	244	170	311	178	412	274	612	76	93
Total Operating Income	407	725	412	675	502	873	692	1558	179	293
Earnings gap (Net after earned income)	(124)	(246)	(174)	(273)	(194)	(449)	(309)	(598)	(57)	(83)
Net After Total Operating Income	(30)	(2)	(4)	38	(16)	(37)	(35)	14	19	10
Corpus Principle Transferred to Operations	3	4	0	2	11	27	0	0	0	0
Net After Operating Income and Corpus Transfers	(27)	2	(4)	40	(5)	(10)	(35)	14	19	10

*Excluding Metropolitan Opera

Source: The Ford Foundation, *The Finances of the Performing Arts*, Vol. I (1974), Table 46.

In 1970-71, the earnings of the 166 performing arts organizations in the Ford study totaled $76 million. Their expenditures totaled $138 million, and as the table above illustrates, they are less able today to cover expenditures with earned income than they were five years ago. The difference between expenditures and earned income – the earnings gap – must be filled by unearned income, contributions and grants from private and public sources. As the Ford study shows, this gap is not always filled, a situation which leads to increasing accumulated deficits. Thus the pressures of crisis financing are perpetuated and increased, leaving little time to devise measures that might alleviate next year's crisis, much less plan for the artistic growth every arts organization needs if it is to thrive. (The 1971-73 Cash Reserve Program of The Ford Foundation, established to help solve this problem, is described in Appendix B.)

Private and Government Funding: An Important "Mix" with Roles Unresolved

A presentation to the Commission on Private Philanthropy and Public Needs stated that "Private philanthropy is now becoming the junior partner with government from the standpoint of financial support to the private nonprofit sector." In the arts, the reverse is true. As the following two tables from the Ford report indicate, private, local philanthropy for the performing arts, the largest percentage of which comes from individual donors, is greater than all government and national foundation grants combined.

Percent Distribution of Contributions and Grants, 1970-71

	Theatre	Opera	Symphony	Ballet
Total Local Nongovernmental Contributions	60	75	75	58
National Foundation Grants	15	8	14	23
Total Private Sector	75	83	89	81
Federal Government Grants	14	9	4	6
State Government Grants	10	2	2	9
Local Government Grants	1	6	5	4
Total Public Sector	25	17	11	19
Total Contributions and Grants	100	100	100	100

Source: The Ford Foundation, *The Finances of the Performing Arts*, Table 44.

The next table, showing dollar amounts for contributions and grants used for operations (which does not include capital gifts and grants), shows that local nongovernmental philanthropy, $36 million, was "more than twice as large as the contributions of all other sources combined. (It was 69 percent of the $52 million total of all contributions and grants.)

"Local non-government contributions to performing arts organizations in the Ford study reached that proportion despite substantial increases from other sources over a six-year period. And it should also be noted that contributions of the private sector were nearly six times greater than those of the public sector . . . . In fact, the $17.6 million increase alone in local private contributions was greater than the total of all the other contributions or grants – $16.0 million in 1971."

Contributions and Grants Used for Operations: All Organizations*
(in thousands of dollars)

	1965-66	1970-71
Total Local Nongovernment Contributions	$18,377	$35,967
National Foundation Grants	3,504	8,193
Total Private Sector	21,881	44,160
Federal Government Grants	549	3,390
State Government Grants	203	2,427
Local Government Grants	983	1,961
Total Public Sector	1,735	7,778
Total Contributions and Grants	$23,616	$51,938

*Excluding Metropolitan Opera

Source: The Ford Foundation, *The Finances of the Performing Arts*, Table 45.

Museums USA shows that of total museum income for fiscal year 1971-72, private support (including contributions and donations but excluding operating and non-operating revenues) accounted for 21 percent and public funds accounted for 37 percent. This last figure is surprisingly high because museum facilities are traditionally supported by municipal/county funds (18 percent of total income, 48 percent of total public support). Excluding municipal/county support, private support was greater than state (7 percent) and federal (12 percent) support combined. The balance of support comes from operating revenues (29 percent) and non-operating revenues, mostly income on investment, (13 percent).

Contributions from Individuals

As the Rockefeller Panel Report noted, contributions from individuals have become more numerous, and smaller, than they were years ago. "The classic example of the patron who year after year paid the annual deficit of The Boston Symphony is a thing of the past." At the time the report was published in 1965, over 85 percent of the total number of contributions made to orchestras were in amounts of less than $100. Of the 4,882 contributions made to The Boston Symphony in 1963-64, 4,407 were $100 or less. This does not mean that contributions from substantial donors are a thing of the past. In 1973 the Association of Fund-Raising Counsel noted in *Giving USA* that its survey of million-dollar gifts showed well over 75 percent of such gifts coming from individuals and bequests.

In a recent article for *Opera News*, Martin Mayer stated that "Few things a man can do with his money give him both the satisfaction and the increase in social acceptability to be gained by a major contribution to an arts institution. In some cases too, people who had always loved opera or symphonic music found themselves (in the 60s) for the first time in a position to help significantly. And in the booming stock and real-estate markets, the rich who had always rallied round grew steadily richer. The tax laws permitted the deduction from taxable income of full market value of securities given to charity, which meant that some super-rich donors could give lavishly at little cost to themselves.

"Now the stock market profits are gone.... There is still a lot of money around, of course, and good friends who gave in six figures ten years ago continue to give in six figures now. But the days when a Pat Harris could get a quarter of the

Chicago Lyric's deficit covered with a single telephone call to Clement Stone are necessarily gone, because the deficit is now two-and-a-half times as large."

Though the Rockefeller Panel Report stated that a substantial portion of the support for the arts would continue to come from a relatively few large donors, it stresses "the value to arts organizations of broadening the base of their financial support." To do this, it also stresses that an organization must have "clear concepts of its purpose, its development plans, and why its existence is important to the community. And it must communicate these concepts to the public." This is the job that has been called for in numerous reports and, in many cases, has yet to be done. And it will be more important in the years directly ahead than it has ever been.

National Foundations

The contributions of national foundations to the arts and humanities in 1973 approximated those of federal, state, and municipal sources combined and accounted for 19 percent of total philanthropic and 10 percent of total foundation support, according to a National Planning Association report to the Commission. The greatest proportion, $229 million, went to education (44 percent), then to museums and art galleries (19 percent), performing arts (21 percent to music, theatre, and dance, in that order), and 4 percent to community programs, 7 percent to public media, and 5 percent to "other."

National foundations are more likely to support projects for limited periods of time – to provide seed money – rather than supporting an organization by providing funds for general support. The ability to give seed-money grants is particularly important because federal funds are usually granted to organizations that already have a track record of at least a year. Though foundations frequently cite their intention of being involved in the "cutting edge" of society, their willingness to support experimental projects in the arts is limited and such projects are usually channeled through established institutions. (It should be said that general support sometimes comes under the guise of project support.)

Opportunity Resources for the Arts, a personnel placement service for individuals and organizations, received its initial funding from the Rockefeller Brothers Fund and the Kaplan Fund and, once under way, received public funds. The Andrew W. Mellon Foundation established the Regional Theatre Program to allow artistic directors the opportunity to take artistic chances, with three caveats: the money could not replace regular operating expenses, could not be used for capital expenses, and could not be used to launch expensive projects. The Theatre Development Fund, a highly successful series of programs for broadening theatre audiences, evolved out of preliminary talks in 1963 among foundations and theatre professionals before the Rockefeller Panel Report was launched. On the initiative of the Twentieth Century Fund several years later, a specific plan was formulated and the initial funding subsequently came from the Rockefeller Brothers Fund and the Twentieth Century Fund, followed shortly after by the National Endowment for the Arts.

Intelligent foundation support for the arts is obviously directly related to the insight and ability of a foundation's staff or dedicated, active trustees. Very few foundations have the experienced staff to make knowledgeable grants in the arts. They now find themselves "competing" with government which not only has the professional staff but also the mandate. The public agencies were established to support the arts and nothing else. This is true for only a few foundations.

Recent Ford Foundation grants, directly aimed at eliminating deficits and improving financial management (see Appendix B) may mark a change in the project-support syndrome. Project support is usually given with the expectation that an organization will be able to raise funds elsewhere to support that project if it proves successful. This is not always possible and frequently leaves an organization in the awkward position of being overly committed to a project it cannot support. Though a few national foundations have a strong history of support for the arts (The Ford Foundation, The Rockefeller Foundation, the Rockefeller Brothers Fund, and The Andrew W. Mellon Foundation), most foundations have an ambivalent attitude toward the arts. As the Rockefeller Panel Report put it, "The case for the arts is less readily evident than that of education or medicine." This can make soliciting funds from foundations doubly difficult for an understaffed arts organization. To put together an intelligent, convincing proposal is time consuming and often frustrating, particularly when the emphasis is on new projects when an organization is treading financial waters with an already worthwhile program.

In addition, some potential grantees are hesitant to approach foundations, which, like arts organizations, have been reticent to make their procedures public knowledge. To many there is something sacrosanct about the process of grant making, an attitude which most foundations have still not overcome.

Local Foundations

Local foundations, usually established by traditional patrons, in many cases have taken the place of the individual donor and not surprisingly are willing to provide general support funds.

The Rockefeller Panel Report states that the role of the local foundation in providing continuing support cannot be overestimated. "The individual contributions vary from one year to the next, special projects attracting support from the large national foundations come and go, box-office receipts rise and fall. But the need for constant stable assistance that can be depended on year in and year out remains. Too many local foundations have yet to recognize this need for recurring grants."

Local foundations can be particularly sensitive to local problems and imaginative about solving them on a community level.

Corporate Support

The Rockefeller Panel Report stated: "In applying corporate income tax, which takes about half of net corporate income, the federal government permits deductions of up to 5 percent of this income for contributions to charitable and educational organizations, which are construed to include non-profit arts organizations. The purpose is to provide an incentive for contributions..

"In the five-year period from 1958 to 1963, individual giving increased 39 percent, foundation giving 62 percent, and bequests 77 percent, while corporate contributions rose only 2 percent, despite the fact that over the five-year period of generally expanding prosperity, corporate income before taxes increased by approximately one-third." This is changing. The Business Committee for the Arts, formed in 1967, reports that corporate contributions reached $144 million in 1973 and continued to grow in 1974 despite the recession. They do not expect this growth to change because, according to Gideon Chagy, vice president of BCA, large companies now budget their contributions to the arts as part of their long-range planning, which is not lightly changed. Most corporations, even most large ones, are not yet involved in giving to the arts. A 1973 BCA survey showed that "companies with sales in excess of $100 million account for the largest share of business support of the arts. These companies represented only 3 percent of the survey population (65,000 companies) but provided approximately 42 percent of the support."

It is important to create a climate of opinion among stockholders and community leaders that will encourage the corporate executive and his board of directors to raise the level of contributions. To quote Carl Shaver, "What steps have we taken to inform the ever-changing executive and directorial management of American business and their shareholders that what the New Jersey Supreme Court really said in 1953 when it upheld the right of corporations to make gifts (was) that the corporate gift was not only a legal right but a 'solemn duty.'"

Giving USA states that "Beyond dollar support, it is estimated that business may contribute as much as $75 million in the form of written-off business expenses such as giving free exhibition space, publicity, and advertising. Outdoor music and drama festivals sponsored by business are becoming more common as is corporate sponsorship of special exhibits of art and sculpture and/or programs for educational television . . . . Volunteer services – legal, accounting, printing advertising design – are also made available by some business concerns for arts organizations." Millions of television viewers have watched first-rate programs in the arts as a result of corporate sponsorship.

There is still more to be done. The National Research Center of the Arts' study of New York State showed that business has contributed no more than 4 percent of its total philanthropy to the arts. The vast entertainment industry, for instance, has accepted little or no philanthropic responsibility for the nonprofit arts industry which often serves as its research and development arm. Yet the corporate support that exists has provided some excellent examples to follow.

Community Arts Councils

An encouraging development in creating a favorable climate for the arts on a community level has been the growth of community arts councils. A study published by ACA in November of 1974 shows that in 1972, 327 of these councils represented combined budgets in excess of $24.3 million. Most of this was private money and some of it came through the federated arts appeals that now exist in 28 cities.

As a fairly recent phenomenon, these appeals, modeled after United Funds and Community Chests, have proved to be a successful way of raising funds for the arts, particularly from business donors.

Michael Newton, in *Salvation . . . The United Way?*, points out that "united appeals have almost uniformly raised more money from a broader base than was previously achieved by the competing organizations acting alone. In many cases these increases have been achieved by a greater equalization of corporate support. One of the most common business instincts in charitable giving is the wish to do the right thing for a cause of proven community worth. Faced with countless independent cultural appeals – which often include more than one request in the same year from the same organization – corporations are tempted to reject them all. When by contrast there is one major federated request which is presented with the support of the community leadership and the vocal acclaim of the news media, a corporation is more likely to respond in accordance with a formula based on its rightful share of responsibility.

"An implied assumption in the united approach is that a joint campaign can attract a caliber of community leadership which is often denied to individual cultural organizations acting on their own."

Government Support

Public support of the arts has grown in the last 10 years to become a consequential factor in the financial future of the arts. Every state in the union now has an arts council and during FY 1975 eight state arts councils received appropriations from their own legislatures in excess of $1 million: The appropriation for New York State, by far the largest, was $35.6 million. California, Colorado, Connecticut, Massachusetts, Michigan, Missouri, and Pennsylvania all passed the $1 million mark. The total appropriations for state arts councils from their legislatures in 1975 was $58,092,008. (See Appendix C, Table C-2.)

In 1965 the National Foundation on the Arts was established with an appropriation of $2.5 million. for fiscal 1975, the appropriation was $75 million. (See Appendix C, Table C-1.) In 1974 total government support for the arts (city, state, and federal) passed the $100-million mark.

It is difficult to say what the total amount of government support is because some aspects of it are hidden. Martin Mayer pointed out that "The maintenance of museums and public libraries has been a municipal function for most of this century and a great deal of artistic activity is paid for in the budgets of the nation's schools and universities. Cities forego real-estate taxes on most buildings used by arts institutions. Because both corporations and individuals can deduct arts contributions from their taxable income (and from estates), which is not true in most countries, something more than half the contributions from the private sector in America can be seen as indirect government subsidy."

Seen from a broad perspective, government grants are usually given for specific projects where a clear public service is provided: finding new audiences for the arts (an important pursuit, since the younger the introduction to the arts, the stronger the commitment), developing programs for schools, and creating and touring special exhibitions. Except for municipal support of museums, government has been slow to accept the idea of providing general support. There are indications that this may be changing. The New York State Council on the Arts has recently established a basic operating support program, and Michigan, New Jersey, Pennsylvania, and Colorado have all made recent grants for operating expenses. The National Endowment for the Arts has also made a recent grant for general support, a departure from the norm. The Endowment, however, is not planning to make general-support grants, at least not in the near future, despite the fact that there is nothing in the legislation that limits the Endowment to project support. (It should be repeated that much basic support is now granted under the guise of project support).

Project support is the easier option and one that may make political sense (it offers greater control and higher identification for the donor), but it leaves unanswered the old questions: Who will pay the utility bills, the advertising bills, the cost of administration – the basic structure of an organization without which it will collapse? Despite some indications of change, it is expected that government will prefer to continue at the federal and state levels to deal primarily with audience expansion and delivery systems.

Government support is perceived by the public very differently than private support because it is public money. As a result, it is more accountable than private support owing to the rotation of state and national arts council members and the interest of relevant committees of the Congress. In a sense, both perform a trustee role: the first as experts, the second as representatives of the public. It is surprising that under such scrutiny public agencies have been so imaginative. As one foundation executive puts it, "Public support on the average has far outdistanced foundations in the scope, range, distance, and daring of a great many of their grants. Taken as a whole, for instance, the Endowment and a number of state arts councils have gotten into support of experimental dance and music for small audiences, whereas the average foundation hasn't touched these fields."

Lack of public understanding about the nature of government support could cause problems for the arts. Although an overwhelming 89 percent of those questioned in the *Americans and the Arts* study favored the existence and improvement of cultural facilities in their communities, only 38 percent felt that cultural organizations should receive government aid directly. Perhaps this feeling relates to a persistent fear of the past that government support might lead to government interference, that it could block creativity or bring government control. That danger, so far, has proved false. In a recent article in *The New York Times*, Michael Straight, deputy chairman of the National Endowment for the Arts, stated that "In contrast to the specter of interference, the availability of federal support of the arts has raised a real and present danger. It is that the private supporters – the foundations, the corporations, and the individuals – will conclude that the financial future of the arts is secure and will cut back their contributions."

These considerations are important when and if the federal appropriation for the arts reaches a point where it becomes a major factor in the budgets of arts institutions. At present, government support is still "a relatively minor source of financial aid." John Hightower, in his introduction to *Americans and the Arts*, stated that the findings of the Harris poll on attitudes toward the arts suggest that we have to stop being apologetic about the arts. "In the competitive arena where national priorities are set and symbolically graded with dollars, the arts account for two ten-thousandths of one percent of the national budget. And yet the public's desire, even demand, for them makes the priority they are assigned ironically offensive."

V

IN SUMMARY

Private philanthropy continues to be the most significant source of support for the arts, though government support is important and growing. All sources must increase their giving and strengthen the crucial balance of support for the arts. More funds are needed to meet the financial urgencies of the arts, particularly if they are to grow to accommodate the increased public demand for them. The balance of support between public and private sources is essential if the arts are to remain innovative, challenging, and free.

To accomplish this, the arts industry will have to assume an active role in educating the public. It must not only make its budgets public but also explain why they are difficult or impossible to balance. (Fifty-six percent of the "frequent cultural attenders" in the *Americans and the Arts* study felt that most cultural institutions break even or make money.)

To present the problems as well as accomplishments of the arts accurately and persuasively, information has to be gathered and made public in a consistent, orderly manner – not on the usual crisis basis. There is no ongoing data base for the arts. What, for instance, is the gross national product of the arts industry? We don't know. Yet the arts in this country have passed the point where decisions with major consequences for their vitality should have to be made on the basis of ball-park figures and passionate statements on their importance. Steps have been taken. More are needed if information is to be accurate, concise, and up to date.

A concerted effort to increase support would not be responding to the needs of the arts if it did not stress that the arts require ongoing, nuts-and-bolts support. Glamour is only one aspect of the arts. Names in lights mean utility bills.

Finally, the arts must stop being apologetic about their need for support. They are exciting, satisfying, in increased demand, and capable of providing Americans with the immeasurable – what Eric Larrabee wryly refers to as the "research and development of the soul."

Appendix A

Studies referred to in this report are

Americans and The® Arts: A Survey of Public Opinion. Research conducted for Associated Councils of the Arts under grants from the National Endowment for the Arts and Philip Morris, Incorporated. 1974. Available from ACA Publications, 1564 Broadway, New York, NY. 10036. $12.00

A Study of the Non-Profit Arts and Cultural Industry of New York State. Conducted for the Performing Arts Association of New York State in cooperation with the New York State Association of Museums. 1972. Available from the Publishing Center for Cultural Resources, Inc. 27 West 53rd Street, New York, NY. 10019. $3.00

Giving USA. A compilation of facts and trends on American philanthropy for the year 1973. A publication of the American Association of Fund-Raising Counsel, Inc. 1974. Available from AAFRC, 500 Fifth Avenue, New York, NY. 10036. $2.00

Museums USA. A survey of museums carried out by the National Research Center of the Arts, Inc., for the National Endowment for the Arts, 1974.

Performing Arts: The Economic Dilemma by William J. Baumol and William G. Bowen. Published by the Twentieth Century Fund. 1966. Available from Kraus Reprint Company, Millwood, NY. 10546. $7.50

The Finances of the Performing Arts. A report on 166 performing arts organizations (with budgets over $100,000) in a continuing research program on the finances of the arts. The last year of the survey data in this report is 1970-71. Available from The Ford Foundation, 320 East 43rd Street, New York, NY. 10017. $3.50

The Performing Arts: Problems & Prospects. The Rockefeller Panel Report on the future of theatre, dance, and music in America. McGraw Hill. 1965. Available from ACA Publications, 1564 Broadway, New York, NY. 10036.

Appendix B

The Cash Reserve Program of The Ford Foundation

Initiated in 1971, this program was designed to strengthen professional performing arts companies (theatre, dance, and opera) by encouraging budget discipline, thereby alleviating the pressure of crisis financing. There were four objectives which the program was designed to address:

- to reduce the financial drain on a company caused by payments due on loans and other obligations;
- to provide an incentive to a company to complete each fiscal year with current assets at least equal to current liabilities;
- to break the cycle of cash-flow crises common to many organizations, notably to performing arts companies which must meet pre-production and promotional costs each season before box-office receipts and revenues from other sources begin to flow;
- to encourage the development of long-range planning disciplines and sound fiscal management.

To meet these objectives, The Ford Foundation made funds available for two purposes. First, the liquidation of 50 percent of a company's net current liabilities after the company itself had liquidated 50 percent of its liabilities within a prescribed period of time. Thereafter, in order to stabilize the company's financial position, the terms of the grant stipulated that throughout the balance of the period of grant, generally four years, there be no increase in net current liabilities. As Wesley Brustad of the Guthrie Theatre puts it, "It turned us around. Literally. We were able to operate with zero deficit, a philosophy which has now been instilled in management."

The second purpose was to provide monies for a restricted revolving fund from which a company could take temporary withdrawals to meet operating expenses until income was generated from box-office and subscription sales or from grants and contributions. (Companies that raised more than half the funds against their accumulated deficits received extra funds for the cash reserve.) All withdrawals had to be repaid in cash before the end of each fiscal year. To help recipients develop the financial discipline necessary to meet the terms of the grant, The Ford Foundation developed forms for keeping records which were designed to facilitate budgeting problems peculiar to performing arts organizations. These forms were used for monthly financial reviews. At the close of the period of grant, if all conditions had been met the restricted revolving fund would be sustained by the company as an unrestricted working capital reserve. The Guthrie Theatre, for instance, will use this money to establish an endowment. "We've never had any reserve, and now we will – and we've learned how to use it wisely. The grant has also encouraged private donations to the Theatre, and they've remained consistent. It has been fantastic."

According to Richard Sheldon at The Ford Foundation, only three or four recipients were unable to complete the program. Nine dance companies received a total of $10,072,778; 18 theatre companies received a total of $8,986,691; and 22 opera companies received a total of $9,293,295.

(Parts of this description were excerpted from A Cash Reserve Program description from The Ford Foundation.)

The Dance Touring Program of the National Endowment for the Arts

In 1965 the audience for the dance was estimated at one million – 70 percent in New York City; today it is 11 million – 70 percent outside New York City. A major cause of this change is the Dance Touring Program of the National Endowment for the Arts.

Dance is an accessible art form – you can walk in without background and enjoy it, which is one of the reasons the State Department chose it as an envoy. The original concept of a residency program developed when Endowment staff decided to try to make the audience for the dance more comfortable with the dance, in part through having contact with the dancers. In the past this would have been an almost impossible order due to the debilitating one-night-stand performance schedules most dance companies were used to.

Murray Farr, director of the Chimera Foundation which was established by several leading modern dance companies, states that "the program changed the economics of the field. I remember when Roger Stevens and June Arey established the dance program. At that time they didn't have a lot of money, and they wisely chose to use what they had where it would count. The most neglected art form at that time was dance, and they decided to do something about it."

In 1967-68, this program began as a pilot project with four dance companies touring two states for a total of eight weeks. In 1974, 74 dance companies had 360 weeks of touring engagements to 52 states and jurisdictions. Through the program, sponsors are encouraged to engage professional dance companies for residencies of at least one-half week (two and one-half days). "The sponsor and the company are expected to evolve a schedule of activities which will involve the resident community as broadly as possible in the scheduled activities." At first the most obvious and willing sponsors were colleges and universities who had the money, facilities, and administrative structure, as well as the outlets for non-performance activities (such as master classes and lecture demonstrations), but gradually sponsorship broadened to include local ballet companies (for master classes), the public school system (for lecture demonstrations), or community arts councils and the local rotary club (for public service demonstrations). Usually this is a cooperative effort. Local dance companies, which had originally been doubtful about the benefit of bringing a professional to town, found that the audience actually increased and broadened.

Performances can take place wherever local imagination and need would put them because most modern dance companies are accustomed to performing in unorthodox spaces. As a result, performances have been given in parks, on rooftops, on rafts, and in firehouses; and the growth of audiences for modern dance has been phenomenal.

The Endowment has never stated what residencies must consist of. Therefore some residencies can be mainly for teaching purposes with no performances, others can be all performance. It makes the program more adaptable and surprisingly free of red tape.

The dance companies available for touring through the dance residency program are not chosen qualitatively. They simply have to meet the basic criteria of professionalism: union scale (determined by the AGMA wage scale) and professional management. The choice is left up to the marketplace, and the list is open to a much broader range of companies – though bookings go to only approximately one third of the companies.

There have always been dance companies, but dancers were frequently unpaid. Now, though even the most famous and instantly recognizable companies cannot pay enough, at least the dancers, through employment, are eligible for unemployment.

The program is administered by state arts councils or commissions (better able to solve problems as they arise because they are nearby). Through direct grants to these agencies, the Endowment provides sponsors with one third of the dance company's quoted minimum weekly or half-weekly fee or $10,000 per week ($5,000 per half week, $2,000 per additional day), whichever is less. The other two thirds may come from state or community arts councils or other sponsors and ticket income. The state arts agencies can help sponsors and co-sponsors with technical assistance and communication and to deal in a responsive way with regional problems. Some of these agencies have banded together or used existing structures (the Western States Arts Foundation coordinates the program for a ten-state region) which organize communities and get the word out about which companies are available.

(Some of this material came from an interview with Robert Altman of the National Endowment for the Arts.)

History of the Dance Touring Program

Year	Companies	Weeks	States	NEA Funding
1967-68	4	8	2	$ 25,000
1968-69	9	35	12	110,533
1969-70	16	67-1/2	22	21[illegible],114
1970-71	22	105	35	330,480
1971-72	27	147-1/2	36	429,197
1972-73	40	218	40	607,409
1973-74	60	249	51	820,075
1974-75	74	360	52	1,300,061

Over the years, the program has involved 49 different states and three jurisdictions (the only areas that have not been involved are Nevada, American Samoa, and Guam).

Companies = the number of companies receiving bookings under the program in that year. This is not necessarily the same figure as the companies eligible to tour under the program in that year.

Weeks = the number of weeks of touring engagements under the program.

States = the number of states and jurisdictions in which touring engagements under the program took place (there are 55 states and jurisdictions.)

NEA Funding = funds provided directly by the National Endowment for the Arts in support of up to one third of the companies' minimum fee. Each dollar of NEA support generates approximately four dollars from other sources including state arts agencies, admission fees, foundation grants, private contributions, and others.

Source: National Endowment for the Arts.

Cincinnati: A Successful Fund-Raising Campaign

Cincinnati, Ohio, has held united arts fund-raising campaigns since 1949, so in 1973 when they mounted a major campaign, the concept was not new. But the goal was. The highest amount of money they had previously raised was $600,000. Not an inconsiderable sum but a sum they could not surpass, and it represented a kind of limit, no longer sufficient to meet the increasingly large deficits of the four major arts institutions that benefitted from the fund. When the giving limit seems to stop at $600,000 and your needs exceed $1 million, how do you proceed?

To encourage "new" money, a challenge grant was established (a total of $250,000 in one-time gifts from two companies, a foundation, and five individuals, all local). This money would be used to match new donations to the fund: the full amount of a donation from any person who had not given before and the full amount of any increase received from a previous donor. This strategy applied to individuals, companies, and corporations. An advertisement from an imaginative publicity campaign (also funded by a local foundation) underscored the benefits of this strategy by stating the "every dollar you decide not to give is two dollars lost."

One million was raised – $1,079,326 to be exact – which was virtually double the amount raised the previous year. The number of contributions increased from approximately 15,000 to approximately 18,500 – not as much as they had hoped – but "a solid and important increase." of 18,500 donations, 52 gifts of $1,000 or more were received from individuals and families (not including foundations and corporations), and $180,000 of the $250,000 in matching funds came from two individuals who had never made significant grants before.

The campaign was run by an executive director, Paul Sittenfeld, a staff of two, and a corps of volunteers. Over 25,000 personal letters were handwritten to individuals. The return envelopes were coded and returned to the solicitors to provide a continuing sense of personal involvement.

A dramatic increase in corporate support was attributed to two main factors: First, with continuing cooperation from 30 major employers, the fund was allowed to solicit in-plant contributions from employees through a structured, low-key, non-pressured drive which emphasized the kinds and caliber of services provided by the beneficiary organizations. Second, by concentrating on the services rendered to the community and, more pointedly, to the families of employees, interest was sparked at all employee levels. Sittenfeld believes that the $1 to $3 contribution of the average blue-collar worker is essential because while it is a gift most everyone can afford, the money will encourage the organizations to identify needs in the community, and the contributions help to control the destiny of the organizations it supports.

The fund passed $1 million again in 1974, and Sittenfeld expects to reach $1 million again in 1975, despite the recession. In addition, the fund has increased its "card value" (the amount of money it can expect to receive from individuals each year), which provides some security. As he puts it, "We're holding our own."

(This material has been excerpted in part from *Arts in Common*, a publication of Associated Councils of the Arts, Sandra Dilley, editor.)

Appendix C

Table C-1

National Endowment for the Arts: History of Appropriations through Fiscal 1975

	Arts Appropriation
FISCAL 1966	
Program Funds	$ 2,500,000
Funds to Match Private Donations	34,308
(Subtotal)	($ 2,534,308)
FISCAL 1967	
Program Funds	$ 4,000,000
State Agencies (bloc)	2,000,000
Funds to Match Private Donations	1,965,692
(Subtotal)	($ 7,965,692)
FISCAL 1968	
Program Funds	$ 4,500,000
State Agencies (bloc)	2,000,000
Funds to Match Private Donations	674,291
(Subtotal)	($ 7,174,291)
FISCAL 1969	
Program Funds	$ 3,700,000
State Agencies (bloc)	1,700,000
Funds to Match Private Donations	2,356,875
(Subtotal)	($ 7,756,875)
FISCAL 1970	
Program Funds	$ 4,250,000
State Agencies (bloc)	2,000,000
Funds to Match Private Donations	2,000,000
(Subtotal)	($ 8,250,000)
FISCAL 1971	
Program Funds	$ 8,465,000
State Agencies (bloc)	4,125,000
Funds to Match Private Donations	2,500,000
(Subtotal)	($ 15,090,000)
FISCAL 1972	
Program Funds	$ 20,750,000
State Agencies (bloc)	5,500,000
Funds to Match Private Donations	3,500,000
(Subtotal)	($ 29,750,000)
FISCAL 1973	
Program Funds	$ 27,825,000
State Agencies (bloc)	6,875,000
Funds to Match Private Donations	3,500,000
(Subtotal)	($ 38,200,000)
FISCAL 1974	
Program Funds	$ 46,025,000
State Agencies (bloc)	8,250,000
Funds to Match Private Donations	6,500,000
(Subtotal)	($ 60,775,000)
FISCAL 1975	
Program Funds	$ 67,250,000*
*(At least 20% for State Arts Agencies & Regional Groups)	
Funds to Match Private Donations	7,500,000
(Subtotal)	($ 74,750,000)
TOTALS	$252,246,166

Source: National Endowment for the Arts.

Table C-2

State Arts Agency Legislative Appropriations

	Fiscal 1966	Fiscal 1967	Fiscal 1968	Fiscal 1969	Fiscal 1970
ALABAMA	–	–	50,000	50,000	100,000
ALASKA	–	18,835	47,500	47,500	47,600
AM. SAMOA	–	–	–	–	–
ARIZONA	–	–	–	–	23,561
ARKANSAS	–	20,694	35,714	35,963	–
CALIFORNIA	152,000	161,920	145,698	168,000	170,997
COLORADO	–	15,000	25,000	25,750	26,489
CONNECTICUT	21,500	21,500	58,268	76,732	114,800
DELAWARE	–	–	–	–	45,454
WASH. DC.	–	70,100	70,100	20,000	25,661
FLORIDA	10,000	9,112	18,233	–	5,000
GEORGIA	27,500	30,400	60,000	48,516	88,060
GUAM	–	–	–	–	–
HAWAII	2,500	90,000	123,500	118,945	163,579
IDAHO	–	–	–	10,000	10,000
ILLINOIS	25,000	25,000	100,000	100,000	250,000
INDIANA	12,500	12,500	–	–	25,000
IOWA	–	–	25,000	25,000	30,730
KANSAS	3,000	7,600	65,000	67,949	66,023
KENTUCKY	7,500	100,000	100,000	118,515	134,980
LOUISIANA	–	25,000	25,000	34,980	27,860
MAINE	1,000	10,000	60,000	60,000	79,500
MARYLAND	–	50,053	50,000	260,000	277,704
MASSACHUSETTS	–	25,000	55,000	100,000	100,000
MICHIGAN	5,000	100,000	100,000	109,000	140,000
MINNESOTA	5,000	5,000	85,000	85,000	112,500
MISSISSIPPI	–	–	–	–	–
MISSOURI	170,000	199,975	221,917	258,000	192,915
MONTANA	–	–	12,500	12,500	25,000
NEBRASKA	–	20,500	12,500	12,500	12,492
NEVADA	–	–	–	–	–
NEW HAMPSHIRE	–	–	7,500	7,500	10,000
NEW JERSEY	7,500	75,000	75,000	77,353	77,795
NEW MEXICO	15,000	36,500	15,000	20,000	20,000
NEW YORK	765,895	1,504,477	1,897,585	2,491,861	2,256,474
NORTH CAROLINA	–	–	70,106	71,299	90,007
NORTH DAKOTA	–	–	–	–	–
OHIO	–	12,053	39,356	39,598	223,407
OKLAHOMA	10,000	11,500	35,000	35,000	65,739
OREGON	–	–	–	23,859	24,924
PENNSYLVANIA	–	40,000	137,473	198,205	204,000
PUERTO RICO	915,300	1,048,700	1,263,900	1,352,200	1,491,263
RHODE ISLAND	–	20,000	62,000	99,000	105,799
SOUTH CAROLINA	–	–	65,000	99,354	131,788
SOUTH DAKOTA	–	–	–	18,000	18,720
TENNESSEE	–	1,500	50,000	50,000	68,700
TEXAS	–	–	80,693	82,000	105,724
UTAH	20,000	29,000	51,795	52,823	83,000
VERMONT	500	500	26,500	27,300	28,800
VIRGINIA	478,445*	1,002,060*	1,166,333*	10,000	10,000
VIRGIN ISLANDS	–	10,000	50,000	140,000	160,000
WASHINGTON	7,500	7,500	35,920	37,735	80,998
WEST VIRGINIA	2,000	33,900	59,000	80,100	117,205
WISCONSIN	–	–	–	–	–
WYOMING	–	–	–	–	–

*The Virginia State Museum was then the official arts council of Virginia.

Table C-2 (cont.)

State Arts Agency Legislative Appropriations

	Fiscal 1971	Fiscal 1972	Fiscal 1973	Fiscal 1974[a]	Fiscal 1975[a]
ALABAMA	100,000	125,000	125,000	125,000	125,000
ALASKA	100,000	102,200	143,000	149,600	191,900
AM. SAMOA	–	15,000	30,000	60,000	60,000
ARIZONA	24,593	27,805	51,469	68,700	82,500
ARKANSAS	–	–	165,648	166,727	167,465
CALIFORNIA	168,000	168,000	209,818	1,033,763	1,000,000
COLORADO	27,157	71,560	41,873	116,757	1,251,316[b]
CONNECTICUT	127,634	115,935	130,125	801,000[c]	1,172,126[c]
DELAWARE	50,000	35,000	37,721	41,000	43,128
WASH. DC.	20,800	30,000	5,000	52,000	30,000
FLORIDA	76,402	53,822	60,422	285,000	398,994
GEORGIA	102,960	99,279	70,000	90,000	101,640
GUAM	–	6,000	10,218	36,800	37,000
HAWAII	174,558	153,765	131,876	106,307	599,083
IDAHO	10,000	8,464	10,000	10,000	23,121
ILLINOIS	600,000	600,000	600,000	795,300	925,000
INDIANA	25,000	44,005	48,890	157,527	160,964
IOWA	32,644	38,188	38,465	50,400	70,767
KANSAS	61,445	35,000	39,000	65,000	79,124
KENTUCKY	147,860	149,660	151,170	153,930	225,800
LOUISIANA	42,883	28,190	36,000	44,000	59,792
MAINE	90,526	92,057	91,618	161,000	163,000
MARYLAND	347,763	399,727	399,727	417,411	449,788
MASSACHUSETTS	160,000	200,000	280,000	600,000	1,600,000
MICHIGAN	219,952	237,710	251,349	484,800	2,109,000
MINNESOTA	115,150	160,000	200,000	300,000	300,000
MISSISSIPPI	75,000	75,000	75,000	98,000	112,628
MISSOURI	201,082	215,936	607,693	654,920	1,249,209
MONTANA	25,000	25,000	25,000	27,550	27,950
NEBRASKA	13,673	24,626	25,620	35,464	129,390
NEVADA	–	–	–	15,000	15,000
NEW HAMPSHIRE	10,000	15,000	15,000	45,679	45,079
NEW JERSEY	203,228	268,059	521,577	428,461[d]	790,352[d]
NEW MEXICO	21,000	20,800	20,800	35,200	65,000
NEW YORK	20,133,193	14,423,000	16,325,000	16,445,000	35,653,000
NORTH CAROLINA	120,027	166,431	196,929	221,029	214,327
NORTH DAKOTA	5,100	5,100	5,100	5,100	5,100
OHIO	198,184	172,342	323,549	846,623	976,161
OKLAHOMA	86,399	86,399	88,011	95,100	95,322
OREGON	24,924	27,849	26,994	51,167	53,350
PENNSYLVANIA	205,000	235,000	239,000	758,000	1,490,000
PUERTO RICO	1,681,900	4,013,628	5,889,539	5,369,316	3,604,567
RHODE ISLAND	111,839	116,253	119,000	124,274	267,199
SOUTH CAROLINA	135,911	195,558	196,698	360,896	595,696
SOUTH DAKOTA	19,864	29,426	29,751	61,902	85,391
TENNESSEE	72,300	161,730	226,700	360,896	411,500
TEXAS	106,072	149,460	152,776	157,745	159,565
UTAH	83,000	75,900	100,000	119,200	268,400
VERMONT	35,459	40,061	41,700	52,000	50,000
VIRGINIA	140,000	140,000	174,130	207,705	265,000
VIRGIN ISLANDS	150,000	160,000	160,000	160,000	160,000
WASHINGTON	91,473	59,814	63,337	108,915	246,130
WEST VIRGINIA	124,960	179,652	184,746	304,420	360,000
WISCONSIN	–	–	45,200	49,100	59,900
WYOMING	–	9,624	9,624	12,755	14,567

a. Figures current as of February 19, 1975. State appropriations figures are fluid and changing.

b. Contains earmarked funds for which SAA serves as conduit.

c. Consists of a base appropriation ($351,000 in FY 1974) and the proceeds of a Connecticut Foundation for the Arts investment on a $10 million state loan.

d. Contains earmarked funds for which SAA serves as conduit.

Source: Associated Councils of the Arts.

THE ROLE OF PHILANTHROPY IN THE ENVIRONMENTAL FIELD: PRESERVATION OF NATURAL LANDS AND HISTORIC PROPERTIES

Janet Koch[†] with Thomas W. Richards[*]

I

SOME REASONS FOR PRESERVATION

Despite the environmental clamor of the 1960s and 1970s, it seems important, even to some of us who have worked long in the environmental movement, to remind ourselves occasionally of why we believe that environmental problems should claim our attention and our money. This forces us to recall the reasons why many Americans over many decades have been urged to preserve and protect natural lands and historic buildings.

Wilderness and Wild Things

> It is desirable that some large and easily accessible region of American soil should remain as far as possible in its primitive condition, at once a museum for the instruction of students, a garden for the recreation of lovers of nature, and an asylum where indigenous trees . . .plants . . .beasts may dwell and perpetuate their kind.
>
> George Perkins Marsh, 1864[1]

There have been several reasons that have encouraged and compelled modern man to preserve land and to protect it from destruction. One reason – which sometimes has been less obvious and less heeded than the others – is scientific. The scientific view holds that certain kinds of development in certain areas can cause irreparable harm to the ability of a natural biological system to sustain life. Fill a marshland or pollute it with industrial waste and you destroy a breeding ground for tiny marine organisms that ultimately nourish large fish for the dinner table. Destroy a woodland and you not only deplete your timber crop but you destroy the ability of the forest to prevent floods and erosion on steep slopes. Develop on a floodplain and you not only are likely to suffer flood damage but you are likely to interfere with riverflow, drainage, and soil stability downstream. Pave the open fields that serve as ground water recharge areas and you diminish the supply of water in your underground wells.

Scientists argue, moreover, that some natural scientific laboratories are needed free from the interventions and disruptions of man if man is to continue to study and understand himself and the complexities inherent in retaining his dominance over nature while he inexorably is dependent on it. They argue a further defense of the wilderness and wild things when they suggest that to preserve stability it is necessary to preserve variety, that when we destroy the wild and reduce the numbers and kinds of actual living things, we unalterably simplify living systems and invite environmental disruption.

A second reason which has served partly, particularly in recent years, as the basis and justification for major governmental funding of land purchase is to serve recreational needs of the public. Adult demand for recreation has been increasing faster than population. The national parks in 1956 had 20 million visitors; in 1967 they had 40 million.[2]

[†] Freelance writer; former assistant program officer for resources and environment, The Ford Foundation.

[*] President, Hartz, Lader and Richards.

A third reason is to preserve amenity. A defense of the wild proclaims that many people find a spiritual enrichment in the wilderness and wild creatures. This defense insists that while many people are not sufficiently stirred to hike in the wild, most of us would feel poorer to know that we lived in a world that had nothing wild in it.[3]

Remnants of History

> These operations against historic landmarks . . . It is like nullifying the lives of so many generations of men – like obliterating them from the scroll of time – so far as their productive labors are concerned . . . It is depriving the world of what makes for civilization and of what civilization is entitled to have; namely, the accumulation of the best products of human genius of all preceding generations.[4]

The reasons that have urged preservation of historic buildings and sites have been somewhat different than the reasons for natural area and wildlife preservation, although the aesthetic reason is shared by both. For historic preservation this reason attests that buildings of particular beauty, artistry, or splendor have an intrinsic value exactly as great paintings have and argues simply that we ought to want to preserve the best achievements created by man.

A second reason often has little or nothing to do with the buildings themselves. The nation has preserved homes and farms (and once a log cabin) of men and women of preceding generations who achieved greatness and honor. We preserve George Washington's home at Mount Vernon because a great patriot, general, and statesman lived there; that has been its significance for protection.

A third reason is to preserve a sense of history. This argument in one sense declares that we can learn better about the past and the people who walked the earth before us if we can view and study and even contemplate some of the structures they built. It holds that we want, or ought to want, some of the buildings and sites of the past as well as the books, the paintings, the artifacts, and the music. In another sense this argument proclaims that we ought to want to keep remnants of the past around to remind ourselves periodically of how we arrived at where and what we are.

II

PUBLIC ACTIONS AND PRIVATE ORGANIZATIONS

Preservation needs for both lands and landmarks can be viewed under the categories of research and implementation. The research need is to inventory, to classify, and to identify those lands and landmarks that should be protected. The implementation needs are to acquire lands and to designate landmarks, to guard them and to maintain them. Acquisition of lands and designation of landmarks have claimed particular attention, publicly and privately, in recent years.

Government Programs

When the federal government began about 100 years ago to set aside land for public enjoyment – the national parks and forests – most of the land was part of the public domain. Thus transition of these lands to park status did not require large outlays of cash. In legislating later to establish new parks, particularly in the

East and Midwest, however, new and different funding needs arose to acquire lands that were at least partly in private ownership.

Nonetheless, an orderly program to develop a system of national parks throughout the nation has been a periodic if not entirely persistent goal defined and redefined by government. Since establishment of the first national park, Yellowstone, in 1872, impressive and unprecedented aspirations were legislated to add new parks and new acres to the national park system. Seventeen parks were added between 1900 and 1931, and 5 were added in the following decade, bringing total federal park areas then to 21 million acres. In 100 years, 26 million acres in 30 parks have been reserved even if they have not yet been fully paid for.

In the decade between 1960 and 1970 the federal government established four new national parks, eight new national recreation areas, nine new national seashores and lake shores; almost one hundred new wilderness areas, national monuments, and historic sites; a system of wild, scenic and recreation rivers; and a national system of trails.[5] Yet in the last 20 years the pace of acquisition of park lands has slowed markedly. Had we continued the 5 percent annual growth rate that we sustained between 1900 and 1942, more than 50 million acres or twice the current acreage would now be reserved.

Historic preservation has not had a similarly orderly past. While the federal government through the Department of the Interior and the states through their park's departments have programs specifically designed to acquire natural areas and to maintain them, governmental efforts to preserve historic places have tended to be more diverse and sporadic.

The Antiquities Act of 1906 authorized the President to designate buildings, battlefields, forts, and other sites and areas as historic properties. However, until 1933 when they were all transferred to the care of the National Park Service they could be and were placed and scattered among the Departments of Interior, War and Agriculture. Furthermore, although the federal government through the National Park Service has been spending occasional dollars to acquire historic sites and monuments and pays for the maintenance of those they manage, the first federal act authorizing appropriations for grants to preserve historic properties was not passed until 1966 and the grant program did not begin until 1971.

The federal government's acquisition programs for preservation have had four major aims and directions: (1) a system of national and state parks, particularly for recreation, which is paid for out of the Land and Water Conservation Fund administered by the Bureau of Outdoor Recreation; (2) preservation of habitat identified as important for wild life preservation, which has had special funding out of the Migratory Bird Conservation Account administered by the Bureau of Sport Fisheries and Wildlife; (3) an open space program for local park acquisition and development administered by the Department of Housing and Urban Development (which was to last as a federal program only 11 years, from 1962 to 1973); and (4) a program to assist states and the National Trust for Historic Preservation to preserve historic properties, administered by the National Park Service. (The four programs are detailed in Appendix A.)

The early accomplishments of the park system represented a solid record of achievement. The record shows, however, that achievement has fallen short of governmental aspiration. For its major acquisition program, the Land and Water Conservation Fund, which pays for matching grants to the states and for purchases of the National Park Service, the Bureau of Sport Fisheries and Wildlife, and the Forest Service, Congress appropriated a total of only $1.4 billion out of a total legislated authority of $2.2 billion. Thus spending has fallen $400 million behind an original goal legislated in 1964 at $1.8 billion and almost $800 million behind a higher goal set by Congress in 1971. Despite legislated intent to spend $200 million and later $300 million annually, the annual average spent in the first four years (1966 to 1970) was $123 million, and the average for the following five years rose only to $180 million.

The result is a backlog of acquisition needs in areas already designated for national parks under congressional authorization, even as costs of land are yearly escalating. Current Park Service estimates would require expenditure of more than $572 million to acquire areas in parks already designated. With this backlog no funds are anywhere in sight to pay for the acquisition of lands for new park areas to meet growing recreation needs or to preserve the fragile scientific lands that are the natural systems that ultimately sustain life. Our achievements look poorer too when we know that the 47 million acres designated as federal and state park lands represent less than 2.1 percent of the nation's land and that in 1972 almost 80 percent of the federal park lands were in the West where, of course, there are areas where land is still relatively abundant and relatively inexpensive.[6]

For the federal government's major program for historic preservation Congress appropriated a total of less than $12 million for its first two years, 1971 and 1972, to meet matching requests of more than $40 million. For 1974 the appropriation rose to $11.5 million but only to confront requests totaling $103 million. Congress appropriated $20 million for 1975 to meet needs rising to $160 million.

Private Efforts

There are two private organizations in the country whose exclusive mission is the acquisition and preservation of land: the Nature Conservancy and the Trust for Public Land. Both have programs of advance acquisition of lands for government; both have negotiated commercial lines of credit to be used to hold threatened lands while funds are raised. Since the beginning of the Conservancy's operation in 1951, it has saved some 700,000 acres throughout the United States. (For a history of the two organizations, see Appendix B.)

In addition to the Trust and the Conservancy, the Audubon societies, the World Wildlife Fund, and many other national and local organizations acquire and maintain land for natural area protection, for wildlife habitat, and for nature study.

The National Trust for Historic Preservation received a federal charter in 1949. It remains the major private national membership organization whose mission is the preservation of historic places. (See Appendix B.)

Other private historic preservation activities have been undertaken and supported by a variety of kinds of institutions: local historic preservation organizations, historical societies, operating foundations, family associations, Junior Leagues, the Daughters of the American Revolution, the National Society of Colonial Dames, universities and museums. Among the most famous sites preserved, Mount Vernon was purchased originally by the Mount Vernon Ladies' Association which still manages it, and Monticello is guarded by the Thomas Jefferson Memorial Foundation. Other efforts have been undertaken jointly by private agencies and governments. Texas joins with the Roman Catholic Church in supporting the San Jose Mission in San Antonio, for example.

III

PRIVATE INITIATIVES

The two most important preservation activities that have been funded by private monies have been (1) the direct acquisition of land and the protection of landmarks and (2) the guardianship of these properties.

Acquiring Land

The scarcity of funds that periodically has slowed the federal acquisition program for parks has resulted in part from the shortfall between congressional authorization and appropriation of funds. While one might quarrel with the process, one can argue on the other hand that the appropriation review allows Congress to assess annually how much the nation can afford for any one of the many competing demands on it. However, that argument poses the question and the problem of what to do when money is tight and there is nonetheless a need to act swiftly, not only to save lands threatened daily but also to mitigate the costly consequences of escalating land prices.

When the Bureau of Outdoor Recreation studied escalation of land prices in 1967,[7] it found that designation of park lands by government sometimes moved land speculators to acquire these properties knowing that they would soon be in demand by government.

In 1969 a bill to create a Florissant Fossil Beds National Monument, after dragging langourously through Congress for a number of years, was passed by the Senate. While the bill was still pending before the House of Representatives a group of real estate developers purchased the tract for $150 an acre and moved in with their bulldozers. Five weeks later, after vigorous citizen protest about the development, the owners offered to sell the property for $350 an acre.[8]

What the bureau found too – which is perhaps more important – is that escalation in land price was inevitable over time even without speculation. A recent example, not one involving proposed government acquisition, is the purchase by the Shiekdom of Kuwait of a barrier island off the coast of South Carolina for $17 million. Twenty years before the island was valued at $125,000.[9] To buy land quickly, then, is to buy it relatively cheaply. Without private interventions the government acquisition program would have been slowed even more than it has, and it would have cost more.

By stepping in early to buy lands, private organizations have held land for government and in doing so have kept prices down while government agencies have waited for the monies promised by Congress. In 1973, with the help of a loan from the Northwestern National Life Insurance Company of Minneapolis, the Nature Conservancy, cooperating with the U.S. Forest Service, acquired a 4,503-acre mixed woodland with six wilderness lakes that the Forest Service wanted for inclusion in the Chippewa National Forest. Federal funds were not available until 1974. To date, more than 100,000 acres costing $60 million have been transferred to government by the Nature Conservancy.

Even if government stepped up its appropriation of land preservation dollars, it is unlikely that bureaucracy could at all times act with the speed and flexibility of private organizations. It is only partly because there has typically been less money appropriated to government agencies than authorized that the agencies have turned to organizations like the Nature Conservancy for advance acquisition of lands. When the National Park Service wanted to acquire a parcel of land for expansion of the Golden Gate National Recreation Area near San Francisco it turned to the Trust for Public Land. The Trust found a landowner in need of cash and willing to sell. With a commercial line of credit the Trust bought the land to prevent speculation on it by real estate interests and then sold it to the Park Service.

When some 670 acres of open space in the City of Los Angeles were available on the open real estate market, the Trust for Public Land negotiated a gift of half the land and a purchase of the rest. The city was able to buy it from the Trust within the year, at a savings of $500,000.

The private organizations are prime movers in a very selective search for land and land donations and purchases. While this reconnaissance has been valuable in assembling large tracts for state and national parks, it has been vital in protecting smaller yet critical areas of scientific importance in which government does not have any legislated interest. If we ask the question whether government, given the additional dollars that now go into private charities on behalf of preservation, could adequately fill the role now undertaken by private organizations, we face doubts whether government could become an active and effective searcher for gifts of land or even a very effective vanguard for land purchase. While government regularly must wait to acquire land until after purchase is authorized, private organizations can plan longer ahead, can react promptly to threats of destruction, and can seek and respond to propitious situations in real estate markets.

Whether or not the State of South Carolina was to become the ultimate manager of the 25,000 acres of Santee River Lands donated to the Nature Conservancy was unresolved when the Conservancy received the gift, valued by some at $20 million, in 1975. The Conservancy was equipped to receive the gift, made by a private hunting club, the Santee Club, and is prepared to protect it regardless of any possible sluggishness on the part of government. It is highly uncertain whether government would have been ready to accept the gift and the responsibility to manage it.

A volunteer land counselor to the Trust for Public Land negotiated a somewhat unique gift of shoreline in California from shareholders of a corporation. Although the Trust later sold the land to Marin County (at half its appraised value), it is doubtful whether government, like the Trust, would have been prepared to contend with problems of dissolution of a corporation and the retirement of improvement bonds.

Although organizations like the Nature Conservancy and the Trust for Public Land when they acquire lands on behalf of government sometimes sell their acquisitions at full appraised or market value (and indeed sometimes must in order to stay solvent), they also frequently transfer the land at bargain prices. When the Trust bought one parcel of land for the Golden Gate National Recreation Area, it negotiated a deflated price and transferred the land to the Park Service at substantially less than its appraised value. For another parcel for the recreation area, however, the owner, wishing to make a large gift to the Trust, sold his land to the Trust cheaply but with the provision that it would sell to government for full value and use the proceeds for other additional preservation efforts.

In its first year of operation the Trust has transferred properties to government at $1 million less than market value.

Preserving History

While for land preservation we regularly need to buy lands to protect them, this is less frequently necessary for historic properties. If one wants to preserve a building that will function as a museum, one normally would want to acquire that building. And after it is acquired one might want to restore it or provide endowment for the maintenance that will be required over time. If, however, one wants to preserve historic buildings that are habitable for office and residence to preserve the character of a neighborhood and the remnants of history that they constitute, one could use other techniques including restrictive covenants and easements.

If we pose the question whether government could itself undertake the historic preservation activities now carried on by private organizations, we confront first the fact that local governments do not always have agencies or machineries in place with specific missions to identify and preserve historic sites. While all counties and municipalities could establish landmarks commissions, they have not done so, and until or unless they do, the private organizations are filling a void.

Even with active state or local offices of historic preservation, one could predict that private organizations would be more likely (as they are with land preservation) to act effectively as prime movers and sentinels alert to threats of deterioration and demolition of important sites.

This year when a farmer in Surry County, Virginia, learned that the State Highway Department was planning to build a highway and ferry dock on his land on the south bank of the James River, facing Jamestown, he approached county and state governments to argue that the lands were of historic and scenic importance and should be protected against the proposed incursions. When the officials failed to decide whether government should accept the scenic easements (or development rights) that he wanted to donate, the landowner turned to the National Trust for Historic Preservation. Government irresolution was probably occasioned by the view voiced by a number of commuters that transportation across the river needed improvement and by the conflict, still existing, between needs for natural area protection and needs for roads. The United States Secretary of the Interior and the National Park Service, however, decided in favor of preservation and through negotiations of the National Trust, accepted a gift outright of 130 acres of land and a gift of easements which in perpetuity will prohibit development on the entire 284-acre plantation. The gift was valued at $350,000.

Historic preservation activities have been intermittent and dissimilar because of the nature of the problem. Many of the handsomer buildings that one might hate to see demolished are not threatened until their owners want to sell them or their occupants find that they cannot inhabit them comfortably or economically. And many times the sale of a structure is not contemplated or even feasible until there is a contractor looking for land on which he wants to erect a different kind of building. Since these changing circumstances are inevitably difficult to predict they will probably call occasionally for sporadic responses but responses that will need to be quick. This poses the question (as it does for land preservation) whether governmental agencies can at all times act as promptly as required. Bureaucracy works with budgets that must predict needs ahead. Thus it cannot respond very easily let alone very rapidly to unexpected events.

Guarding What We Have Saved

The second critical role played by private organizations has been guardianship of lands and landmarks.

Lands we thought we had protected by designating them as parks have often been threatened and sometimes lost to development. Dams have been proposed to fill wild canyons and highways to fill marshlands.

An early example was the struggle over the wild and isolated Hetch Hetchy Valley in Yosemite National Park, which was described by John Muir as the "most precious and sublime feature" of the park. Less than 30 years after the park's establishment in 1890 the valley was threatened when San Francisco, facing a shortage of water, asked the federal government for permission to dam the river at the end of the valley to create a reservoir. After five years of controversy, and "in spite of what seemed to be overwhelming national sentiment in favor of keeping Hetch Hetchy wild," a reservoir bill was enacted by Congress. And the valley was destroyed even though San Francisco might have gotten its water supply elsewhere.[10]

In the early 1950s when the Bureau of Reclamation wanted to harness the waters of the Upper Colorado River to generate electric power, it declared that a dam at Echo Park in the Dinosaur National Monument was essential to the success of the project. The dam would have inundated deep canyons, virgin wilderness, and the graveyards of extinct reptiles. Wilderness preservationists were as determined to preserve the park as the dam-builders were to build the dam. The issue was finally resolved – this time in favor of preservation – in 1956 after bitter debate of national dimensions.[11]

More recently, in 1969, a transportation authority in Dade County, Florida, and the U.S. Department of Transportation proposed a major jetport west of Miami that would almost certainly have destroyed the Everglades National Park. The plans were defeated but only after a shocked public, including some high officials in Washington, sounded the alarm.

Over the years executive agencies have sometimes been ineffective guardians even over areas trusted by legislation to their protection. Debates on whether park encroachments should have been permitted were raised by lonely individuals and by private organizations like the Sierra Club, the Izaak Walton League, and the Audubon societies. The controversies suggest that government has needed watchdogs of its performance. Only perverse optimism would declare that future development pressures will not force similar development proposals. It is highly uncertain whether even the most conscientious and energetic public officials will be able at all times to maintain adequate surveillance over them.

The importance of private guardians is not only that they are ardent, determined, and often effective protectors. They are also important because they provide a platform on which debate can be raised and an avenue whereby individuals can converge and rally to make their views heard collectively on environmental issues. Whatever the resolution of past or future conflict between development and preservation, surely the issues and the arguments deserve to be heard.

IV

CHANGING THE TAX CODE

Gifts of Property

In 1972 and 1973 the Nature Conservancy received more than $20 million worth of contributed land, a third of its income for those two years. Land donations are definitely important to land-saving organizations. Any change in tax regulations on donations of real property would doubtlessly affect their operation.

If we hypothesize substituting a federal matching dollar for a tax deduction, as described in Stanley Surrey's *Pathways to Tax Reform*,[12] land-saving organizations might stand to lose donations of land that are a large portion of their income. What has been postulated is that charitable tax deductions would be abolished; donors to charity would not get the direct advantage of lower taxes; the donor's charity would receive automatic government dollars equal in amount to the donor's contribution (or some portion of it); since government would promise a commitment of dollars to the donor's charity, the donor would get the indirect benefit of raising money for a cause or organization he espouses.

Conceivably, incentives for giving might be different under this scheme. Under a matching system where the sole direct beneficiary would be the charity and not the donor, a donor might be intrigued and tempted by the government dollars he could raise for his favorite charity.

All people who donate natural land do not donate it exclusively for charitable purposes; or, more importantly, not all of the very charitable donate land exclusively for environmental purposes. An owner of natural land whose favorite cause is medical research might prefer to raise government matching dollars for medicine rather than for conservation. Thus he might be tempted – if a federal dollar took the place of a tax deduction – to give his land to a medical organization because he wants to generate matching dollars for medicine, even if conservation might generally be considered a more appropriate recipient and even if the conservation organization wanted the land badly and the medical organization hardly at all.

Under current practice a landowner may give land to a conservation organization even if his primary charitable instincts are not environmental. If one of the landowner's chief interests in donating land under current law is to obtain a tax advantage, it might not matter to him what particular charity received his gift. If, however, the law were to be changed and a person's charitable gift were to be matched by government dollars, the primary incentive for giving might be to raise government dollars, and a benefactor might be highly selective in choosing his philanthropic cause. Recognizing that any contribution he makes would generate government support for the organization that gets his gift, the charitable individual might want to direct those matching dollars to a favorite cause or organization.

If in donating natural lands an individual would decide in favor of a conservation organization, the conservation organization would gain both a land donation and additional federal dollars. If, however, an individual would want to raise money for medical research, an art museum, or a university, he might donate his land away from conservation.

Government could of course impose regulations to limit or restrict the eligibility of property donations that would qualify for matching dollars; government could rule that in order to qualify for matching funds, property donations would have to go to an "appropriate" recipient, specifically defined. For instance, works of art if given to conservation organizations or other recipients deemed "inappropriate" could be ruled ineligible to raise government matching dollars. Woodlands or marshes donated to art museums similarly could be disqualified to earn matching funds.

The table below records property donations received by four organizations, the first over a 10-year period and the others over a 1-year period. Clearly, substantial acreage valued at high cost has been given to conservation organizations. The organizations themselves have attempted estimates, admittedly hard to prove, of the percentage of land that was donated because the owners had the inducement of substantial tax credits.

Property Donations

		Properties Donated	Estimated Value	Percentage of Properties Donated for Tax Incentives
The Nature Conservancy	1964-1974	680,000 acres of open land	$177,000,000	50 to 60%
Trust for Public Land	1973-1974	3,095 acres of open land	7,305,000	75
Trustees for Reservations	1973-1974	1,700 acres of open land	?	25
National Trust for Historic Preservation	1973-1974	3 houses and land	1,800,000	100

One can hardly conjecture what would have happened to these properties if when they were donated the landowners had not been given tax advantages. One can warn that possibly all of the gifts induced by tax incentives would not have been made: A rough but low estimate places these at 50 percent of the lands, or more than $90 million worth of property.

This signals dangers that changes in tax laws that would lessen incentives for property donations would seriously jeopardize land and historic preservation. The warning argues strongly for caution. Since in some years these donations have nearly equaled cash donations, their importance to preservation cannot be disputed. Thus decreasing incentives for property donations would undermine and probably imperil the preservation movement.

Matching Governmental Appropriations

When Congress in 1966 passed the act that provided federal funding for the National Trust for Historic Preservation, it required that government dollars would have to be matched equally by dollars raised by private contributions. The limitation that qualifies and restricts matching dollars is not unusual or in any way unique: All it says is that government dollars cannot be used to match government dollars. Organizations operating with this requirement would, however, be affected by the hypothetical abolition of tax deductions and the substitution of a federal matching dollar.

Again what we are describing is that donors to charity would not receive tax deductions for their contributions; the federal government would, using the extra dollars it would raise by the higher taxes that would be paid, set up a pool of money from which to grant funds to nonprofit organizations as a match for any private contributions the organization receives.

The extent to which people's charitable instincts would be affected by the loss of a tax advantage is problematic. Presumably, the pool of federal money could offset the loss of charitable donations. The National Trust, for instance, would get matching dollars for any of the contributions it would receive from individuals. It would not under current law, however, be able to use any of the matching dollars to earn its annual general federal appropriation. Unless the law were to be changed, therefore, and the ruling that government money could not match government money were to be removed, the Trust would have substantially less money available than it has now to raise its appropriation.

Tax Changes for Environmental Protection

In the 93rd Congress a bill (HR 5584) was put forth that proposed changes in current tax policies that affect valuable natural lands and historic buildings. The proposed legislation would have (1) reduced federal income tax benefits for building on fragile coastal wetlands; (2) increased tax incentives to rehabilitate historic buildings; and (3) provided tax incentives for the donation of conservation easements.

The first proposal would deny accelerated depreciation on any buildings constructed on marsh and swamp areas in the nation's coastal zones if the construction would damage ecological systems. The second would provide accelerated depreciation on historic buildings that are purchased and rehabilitated.

The third proposal would provide charitable deductions for gifts of partial interest in property that are made for preservation purposes. Tax deductions would be allowed for gifts of scenic, conservation and preservation easements. An easement generally restricts the use to which land can be put. For instance, a landowner may give up in perpetuity all rights to develop his farmland. The development rights can be and are deeded to government or to private agencies. These rights are generally assigned monetary value. Under current law, however, the donation of an easement, whatever its value, does not qualify for a federal charitable tax deduction. The House bill if enacted would have changed this ruling.

All of these proposals, if enacted, would aid conservation, but they do not mitigate the need to acquire and guard lands and landmarks. Nonetheless, these proposals could serve conservation goals considerably.

V

SPECULATING COSTS

If we look at funding needs for preservation in the categories of research and implementation, the research need is first to classify, then to inventory and identify precisely what lands and landmarks we ought to preserve. The implementation needs are acquisition, guardianship, and maintenance.

Inventories

Land

Land inventories undertaken in the past have been desultory and widely different. Thus with data now available, predicting costs of nationwide inventories of land is guesswork. An inventory of natural areas conducted in Indiana in 1967 cost $35,000. For many states, costs might be higher if they had a smaller base of data available, had a larger land area, a larger population, and a greater variety of special natural features. At a low estimate of $100,000 for each of the 50 states, the total cost would be $5 million.

Landmarks

In order to qualify for federal grants for historic preservation, states are required to submit plans that inventory historic properties. The states have spent $10 million for these inventories; estimated costs to keep the plans current are $5 million annually.

There is no reason why government cannot or should not pay for further inventorying. To the extent that government does not meet this need, however, private monies might be called for.

Acquisition

Land

We cannot predict with any precision many of the variables that will affect the price of land. Will we want to buy land in expensive urban/suburban areas, assuming those lands will always be expensive, or acquire parks in the West from federal lands? Will population rise, and if it does, will this make competition for land even greater than it is now and prices much higher? It is wildly precarious to forecast; however, we can speculate even if we cannot predict.

When in 1971 Congress amended the Land and Water Conservation Fund Act, it estimated that $300 million a year for land purchase would be adequate to complete the nation's system of parks. The 20-year total would be $6 billion. Since it cost the nation $600 million to acquire a million acres for the federal system between 1964 and 1974, we confront a $600 cost per acre.

If we assume a nation without inflation, all the $6 billion could buy would be 10 million acres. If we speculate a 10 percent annual inflation over 20 years, the $300 million per year would buy only some 4.5 million acres. Even if we could buy another 10 million acres for $6 billion, the reserved lands would constitute only 2.5 percent of the 2,300 million acres that make up the 50 states.

If we were to set aside 5 percent of the nation's lands, which might be adequate to the scientific and recreational needs that urge preservation, we would want to reserve an additional 68 million acres. To do this would require an average annual purchase of 2 million acres until the year 2009. At $600 an acre it would cost $1.2 billion the first year and possibly 10 percent more in each of the 34 succeeding years. That rate of expenditure would be four times that now spent by combined federal and state land acquisition dollars.

We can expect that major acquisition costs will continue to be borne by government, even as private interventions lessen these costs and otherwise complement government activity. Since government funding has fallen so short of need and even of legislated goals, private dollars are particularly important to acquire and save lands not only to heed the wisdoms of science, or to provide land for recreation, or to enjoy the spirit of wilderness, but to leave some room to maneuver in the future.

Landmarks

Since some historic preservation can at least in the short run be achieved without direct purchase, acquisition costs are likely to be lower than for land preservation. However, restoration and maintenance costs are likely to be proportionately higher. While land can and does restore itself – and particularly if it is neglected by people – buildings do not. Since historic preservation projects funded by governments generally include renovation expenditures, we can extrapolate only with acquisition and maintenance costs intermingled.

In 1972 the National Park Service estimated that it would grant $8,375,000 for 237 historic preservation projects the next year. Since these funds had to be matched dollar-for-dollar, the average cost per project was almost $70,000. For 1973 the Park Service reported that it had on hand requests for funding of 750 projects totaling $40,147,000. With matching dollars the cost could be more than $100,000 per project.

The Park Service estimates that there are more than 60,000 historic properties in the states of New York, Michigan, South Carolina, Virginia, Washington, Nevada, and Pennsylvania. If we liberally assume that a third of these are already cared for and another third are not threatened, the remaining third could cost $2 billion for the 7 states. If we project this to 50 states, admitting the risks of untidy extrapolation, we can guess a total cost of more than $14 billion, of which the federal share would be $7 billion. If the federal government were to launch a protection program to meet these needs over the next 20 years, it would cost $350 million a year, almost nine times the current rate of spending.

Guardianship

While major acquisition costs will probably be funded by government, guardianship costs will probably require exclusive private funding.

A 1972 report on environmental volunteers in America[13] reported that there were an estimated 20,000 private organizations in the country primarily concerned with the environment. Extrapolating from a random sample poll the authors conducted, one can estimate that more than $100 million was raised and spent by those groups that year. More than 75 percent of those organizations polled reported that their primary source of income was individual donations and memberships.

No doubt some of the organizations that have prodded government to altertness would continue to exist (and still others would be born in response to new issues) even if contributions to them were not tax deductible. (The Sierra Club has done so.) The point is, however, that they might be seriously impoverished. The point also is that if their importance lies in doing a job of guarding and protecting national resources that government indubitably cannot do entirely on its own, then we ought to want to keep them in business. Few if any of the organizations are prosperous; for most, it is a hand-to-mouth existence. Incentives for private giving ought thus to be nourished rather than curtailed.

Maintenance

Estimating future costs for maintenance of parks and landmarks will depend in large measure on how many sites we will want to set aside and to some degree on how extensively they will be used. For the 26 million acres and the more than 50 historic properties it manages, the National Park Service in 1973 spent roughly $150 million for maintenance. State and local expenditures might double this figure.

Unlike acquisition, for which we rely on the private organizations to search and secure properties, saving dollars as well as threatened lands, and unlike guardianship, for which we rely on private organizations to raise the debate on environmental issues, there may be less of a need to rely on private organizations for maintenance except to the extent that government does not respond to these needs, as it has not from time to time, particularly for landmarks.

At least in recent years maintenance of parks has been considered more appropriately a charge on public rather than on private funds, and government has taken this on as part of its daily responsibility. Recently in New York City, however, two small parks were built by benefactors and given to the city with an endowment for their maintenance. The donors received as much praise and gratitude for the endowment as they did for the loveliness of the parks. While many might hope that this kind of gift will be emulated, one can hardly imagine that the precedent will become more than an occasional inheritance.

Appendix A

Government Programs

Land and Water Conservation Fund

The Land and Water Conservation Fund Act was enacted into law by Congress in 1964 at the urging of Secretary of the Interior Stewart Udall to authorize systemized appropriations to acquire designated national park lands. Revenues for the fund were to be raised from receipts of park-user fees, from the sale of surplus federal property, and from taxes on motorboat fuel. Later amendment provided use of monies from offshore oil and gas royalties under the Outer Continental Shelf Act. Roughly half of the funds were to be distributed to the states on a matching basis and the remainder to the National Park Service, the Bureau of Sport Fisheries and Wildlife, and the Forest Service.[14]

The fund came fully into operation in fiscal 1966. As originally enacted, the law authorized annual appropriations of $200 million to the fund which was to have a 25-year life. In 1971 the law was amended to raise the annual appropriation to $300 million through 1989.

Between 1966 and 1971, a total of 6 years, more than 800,000 acres were acquired by the National Park Service, the Bureau of Sport Fisheries and Wildlife, and the Forest Service by grants from the fund totaling $336 million. It is predicted, moreover, that 1 million federal acres will have been acquired through 1974 at a cost of $600 million. State grants that totaled more than $700 million were spent for both acquisition and park development. Since states match those funds at least 50-50, at least $1.4 billion was obligated by the states for parks. On the other hand far less than this was spent for acquisition since on the whole states have chosen to spend as much as two thirds of their money on park improvement.

Migratory Bird Conservation Account

For more than 40 years the Bureau of Sport Fisheries and Wildlife has been buying bird and wild animal habitat with monies raised from the sale of migratory bird hunting stamps. In 1961 in order to accelerate the program to acquire lands before the habitats were destroyed, Congress passed the Wetlands Loan Act which provided up to $105 million for accelerated land acquisition.[15]

The objective of the accelerated program was to acquire 2,500,000 acres. In the first 13 years of the 15-year program, advance appropriations and duck stamp receipts totaled more than $133 million, permitting acquisition of more than 1.5 million acres. During this period 40 new national wildlife refuges were established and 1.2 million acres were acquired to preserve small wetlands for waterfowl protection. The 1973 estimates predicted that at the conclusion of the program in 1977, 70 percent of the goal will have been reached and that 2.1 million acres out of the original 2.5 million acre goal will have been acquired.

Open Space Program

The Open Space Program of the Department of Housing and Urban Development began in 1961 with grants of $3.1 million under legislation requiring state and local governments to contribute at least 70 percent of the land costs. To the end of fiscal 1964 about 100,000 acres were purchased with this aid at a total cost of more than $121 million, of which the federal share was $32 million. In that year Congress liberalized the act, raised federal matching to 50 percent and authorized assistance to acquire and clear built-up land.[16] By the end of 1971, a year before the program was disbanded and turned over to the states under the Urban Community Development Revenue Sharing Program, more than $441 million federal dollars were spent to acquire 348,258 acres at a total cost of $850 million.

Historic Preservation

For historic preservation the basic federal legislation is the National Historic Preservation Act of 1966 which authorized a program of grants to begin in 1971 primarily to assist the states in their planning and development programs under both public and private leadership. For the first three years of the program Congress appropriated less than $24 million.

Other federal programs include a National Registry of Historic Places, a survey of historic sites and buildings, architectural and engineering surveys in cooperation with state and local governments, and an Advisory Council on Historic Preservation. For 1974 it was estimated that these programs together would receive funding of only $2.2 million.

Appendix B

Private Organizations

The Nature Conservancy

For 15 years the Nature Conservancy, incorporated in 1951, remained a small, largely amateur organization. Then, as now, it concentrated its program of land saving on areas of ecological and environmental significance and unlike government did not give priority to recreational needs. In the second half of the 1960s it set for itself the task of transformation to a fully professional organization adequate to meet growing needs. An illustrative and possibly conclusive measurement of how complete the transformation was is the growth of its assets from $3 million in 1965 to $73 million in 1973. Since the beginning of its operation it has saved nearly 1,200 areas of forests, swamps, marshes, prairies, mountains, and beaches involving some 700,000 acres throughout the United States. In a recent single year, 58,000 acres were saved in 29 states.

The Nature Conservancy's growth in the 1960s and 1970s was assisted by large contributions of private foundations. The Ford Foundation alone granted $2.5 million between 1966 and 1971, $900,000 of which aimed at making the Conservancy largely self-sufficient from further subventions of foundation funds for basic operating costs. Other contributing foundations include the Mary Louise Curtis Bok Foundation, the Mary Flagler Cary Charitable Trust, the Charles E. Culpeper Foundation, and the Sarah Mellon Scaife Foundation.

The Conservancy receives donations of land as well as of cash and collects dues from its membership of more than 26,000 people. Contributions in 1973 totaled more than $24 million, $14 million of which were gifts of land.

The Conservancy attributes much of its effectiveness in the land-saving business to the swiftness with which it can act. It works basically in three ways: purchase of land with funds raised by private gifts, acceptance of land donations, and advance acquisition of land for local, state, and federal governments. In addition to its general fund, the Conservancy has a Project Revolving Fund and Guarantee and Income Fund.

The Project Revolving Fund is the Conservancy's chief financial account for the acquisition of land. Monies from the fund are loaned to local chapters and committees for acquisition while local fund-raising drives are launched. A 1971 Ford Foundation grant made $600,000 available for the fund if the Conservancy could raise an additional $2.4 million and thus up the fund by $3 million, which it has.

The Guarantee and Income Fund was established both to supplement the Revolving Fund and to provide an endowment from which interest can be drawn for national operations. With an endowment, the fund isolates and protects the Conservancy from total reliance on the sometimes vagarious philanthropies; and it protects its land-saving dollars from being badly eroded by inevitable administrative costs. Equally important, securities in which the fund is invested can be used as collateral for commercial bank loans for land acquisition when the Project Revolving Fund is overloaded. Almost half of the annual subventions to the endowment are earned from life-membership contributions.

The Conservancy achieved ultimate financial respectability in 1972 when major lending institutions decided that to lend the Conservancy money they no longer required the guarantee of credit that had been provided by The Ford Foundation. The Conservancy was given this line of credit on its own recognizance.

The Trust for Public Land

The Trust for Public Land recently began its second year of operation and we thus have only a one-year record of accomplishment to view. However, in that year the Trust acquired over 2,400 acres of land in or near urban areas.

The Trust describes itself as an organization that "offers a new approach to land conservation, putting professional experience, private sector capital and ideals to work on the task of providing the public with adquate open space . . . [and is an organization that is] designed to operate on a self-sustaining basis . . ."

When its founders decided that the Trust should be self-sufficient, they nonetheless felt that it would take three years before they could achieve this, and they turned to private foundations and others. Grants of $100,000 each were made by the Andrew Norman and San Francisco Foundations, and a grant of $250,000 was made by The Ford Foundation. An Eastern donor gave $150,000 anonymously.

Prominent among the programs the Trust hopes to emphasize and which they have already undertaken is advance acquisition of lands for governmental agencies. Like the Nature Conservancy, they cite that the quickness with which they can respond saves not only threatened acres but also money.

The National Trust for Historic Preservation

The National Trust for Historic Preservation was created by Congress in 1949. Although it receives annual funding by Congress for part of its operation, it also functions as the only national nonprofit membership organization whose exclusive mandate is historic preservation. Congress established the Trust "to further the national policy to preserve for public use historic sites, buildings and objects of national significance . . . and to provide [a trust] to receive donations of sites, buildings, and objects in American History and culture . . ."

For its first six years the National Trust had an operating budget of over $40,000 and a membership that climbed only from 165 to 1,300. Endowment funds of $1,250,000 each from the Avalon and the Old Dominion Foundations in 1957 provided security and promoted growth. Today the Trust has more than 65,000 individual, organization, and corporate members who provide income of almost $3.2 million which it uses to earn federal matching grants up to $2.7 million annually for a total budget of almost $5.9 million.

Recognizing that all important historic buildings cannot and possibly should not be acquired to function as museums, the Trust uses and teaches other techniques such as easements and restrictive convenants. Either the easement or the convenant may be used to prohibit alterations of facades or interiors. When these techniques are used, buildings can be protected, at least for the short term, while they are occupied by residential or commercial tenants.

Another technique the Trust uses, particularly for historic districts, is a revolving fund. Beginning with gifts and donations (or with bank credit if available) the Trust lends money to local organizations for the purchase of buildings. The organizations place restrictive convenants on them and offer them for sale on the open real estate market. Proceeds (and sometimes profits) from the sale of the buildings are then paid back to the Trust and are used for additional purchases in the same district or another locality.

Footnotes

1. George Perkins Marsh, *Man and Nature: or Physical Geography as Modified by Human Action* (New York: Charles Scribner, 1864).

2. Marion R. Clawson, R. Burnell Held, and Charles H. Stoddard, *Land for the Future* (Baltimore: Johns Hopkins Press, 1960), p. 168. *Science*, Vol. 161 (August 23, 1968), p. 771, as cited by Gordon Harrison, *Earthkeeping* (Boston: Houghton Mifflin Company, 1971), p. 22.

3. This language, slightly modified, is taken from Gordon Harrison, *Ford Foundation Grants in Resources and Environment*, 1968, p. 7.

4. Probably the words of George F. Kunz, president of the American Scenic and Historic Preservation Society, State of New York, in 1914. This quote is excerpted from the *Nineteenth Annual Report of the American Scenic and Historic Preservation Society*, State of New York, Assembly Document 57 (March 24, 1914), pp. 13-16, 18-22. As cited by Roderick Nash (ed.) *The American Environment: Readings in the History of Conservation* (Reading, Mass.: Addison-Wesley, 1968), p. 77.

5. Harrison, *Earthkeeping*, op. cit., p. 74.

6. Clawson, et. al., *Land for the Future*, op. cit., p. 164.

7. Bureau of Outdoor Recreation, *Recreation Land Price Escalation* (Washington, D.C., 1967).

8. Joseph L. Sax, *Defending the Environment: A Strategy for Citizen Action* (New York: Alfred A. Knopf, 1971), pp. 206-207.

9. *The New York Times*, August 15, 1974.

10. Nash, *The American Environment: Readings in the History of Conservation*, op. cit., pp. 90-93.

11. "Are You For or Against the Echo Park Dam?" *Collier's CXXXV (1955)*, pp. 78-79, 82. Cited in *The American Environment*, pp. 183-191.

12. Stanley Surrey, *Pathways to Tax Reform* (Cambridge, Mass.: Harvard University Press, 1973).

13. Clem L. Zinger, Richard Dalsemaer, Helen Magargle, *Environmental Volunteers in America: Findings and Recommendations of the National Center for Voluntary Action's Environmental Project* (Washington, D.C., January 1973).

14. Harrison, *Earthkeeping*, op cit., pp. 73-74.

15. Ibid., p. 249

16. Ibid. p. 249.

THE ROLE OF PRIVATE PHILANTHROPY IN RELATION TO ENVIRONMENT-POLLUTION

Blair T. Bower[†]

I

DEFINITION OF SECTOR

The terms "environment" and "environmental quality" have been used to refer to any one, several, or all of a wide range of problems, including occupational health, urban design, housing standards, vector control, swimming pool inspection, restaurant inspection. Similarly, the term "conservation" no longer has—if indeed it ever had—an unambiguous definition even when applied solely to natural resources. Therefore, to enable explicit (operational) consideration by the Commission of the role of private philanthropy in relation to the "environment," two foci have been selected: environment-pollution and environment-preservation. The first refers to the problems associated with the inevitable generation and discharge of residuals from human activities; the subsequent changes in ambient environmental quality (AEQ); and the damages resulting from such changes. (Recognizing that in some cases changes in AEQ may yield benefits.) The second refers to the problems associated with preserving, over time, specific *natural* environments – such as the pupfish ecosystem, and specific *man-made* environments – such as historic buildings.

Conceptually, there are no reasons why government should not logically be performing the necessary activities relating to the two foci, with exception of implementation-monitoring activity. However, government performance has been inadequate for various reasons, some of which are indicated. Consequently, there will be a role for private philanthropy in the environment sector for some time, and probably always with respect to the implementation-monitoring activity.

II

EVOLUTION OF PRIVATE PHILANTHROPIC ACTIVITY IN THE ENVIRONMENT SECTOR

There are at least three reasons for the increasing role (absolutely if not relatively) of private philanthropy in the environment sector since World War II. First, the rising affluence enabled a shift among a significant segment of the population from the "consumption" of private goods to the use of, and an interest in, "public goods," in the form of common property resources, such as better air and water quality, historic buildings, wilderness areas. Second, there was an increasing realization among a significant segment of the population of the predominance of a "development" orientation in the governmental line (management) and regulatory agencies responsible for natural and man-made enviornments. That is, every good dam site, including Grand Canyon, should be developed to provide irrigation water, industrial water, hydropower, etc., rather than leaving the stream "free flowing" to provide the amenity, scientific, and recreational services available from the stream in its natural condition. Third, a significant segment of the population recognized that, even though there had been a shift in society's social values—in terms of priorities relating to the "use" of the environment, the governmental agencies did not and could not move rapidly enough to tackle the root causes of the environment-pollution problem and to preclude the loss of unique natural and historic resources by development.

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The increasing support from private philanthropy for activities relating to both environment-pollution and environment-preservation came from both foundations and from individuals. The remainder of this paper deals with environment-pollution.

III

ROLE OF PRIVATE PHILANTHROPY IN THE SECTOR ENVIRONMENT-POLLUTION

The two basic activities where private philanthropy has an important role in the environment-pollution field are: (1) research; and (2) implementation-monitoring. The attached diagram depicts in generalized form the residuals-environmental quality management (REQM) system, i.e., the structure of the environment-pollution problem. (AEQ then is a function of: final demand; product specifications; the spatial pattern of economic activities; the types of raw materials used; the technology of production-materials recovery-byproduct production-residuals modification; and the REQM strategies adopted. Research is needed with respect to the system as a whole and with respect to each of the elements. Throughout the paper research refers to "software" research, to which it is suggested that private philanthropy be limited. Further rationalization of that position is provided in the Appendix. Implementation-monitoring or monitoring implementation relates to the day-to-day checking on the actual behavior or performance of agencies responsible for REQM.

Research

Conceptually research is a logical function of government, both for governmental action agencies and governmental research-funding agencies. The problem is that of formulating and doing research which is on the frontier or "cutting edge" of environmental pollution (REQM) problems. Particularly important characteristics of this type of research are: interdisciplinary, long-run, innovative, with uncertain results. Certain conditions are endemic in one or the other or both types of government agencies which inhibit, and often preclude, effective research activity output from governmental agencies. Such conditions include the following:

1. The perspective of governmental agencies is typically short-run, "mission" oriented. This is increasingly true even with respect to non-action agencies such as the National Science Foundation (NSF).

2. Agencies funding research on environmental pollution, such as NSF and action agencies, i.e., Environmental Protection Agency (EPA), do little "inhouse" research. This makes it difficult to acquire top caliber individuals who are themselves competent researchers and hence can formulate, monitor, and interpret good research. Most such individuals do not want to be in essence merely "paper shufflers."

3. Research is typically funded for short time frames and generally requires specific outputs. The short time frame, i.e., one-two years, is particularly a problem in new, multidisciplinary areas of research, where it is not clear how the research

will develop, what the problems will be in carrying out the research, what new questions will be uncovered in the research as it evolves.

4. Research by line agencies is typically a marginal operation for such agencies, because they must concentrate on "fire fighting." Even where there is a proclivity on the part of the head and/or staff of the line agency to undertake such research, it is hard to induce governments of general jurisdiction to fund such activities. One can find some governmental agencies and administrators who are willing to look at problems in a fresh way, but typically they lack budgets to do so.

5. The perspective of governmental agencies, even the research-only (i.e., non-action) agencies, tends to be limited, and dominated by existing governmental and agency views of the problem and alternative strategies for "solving" the problem. Thus research which is funded often fails to consider the relevant range of alternatives.

The principle involved is: it is difficult to induce either governmental action agencies or governmental research funding agencies to undertake new directions of research and analysis. The record supports this principle clearly, as far as environment-pollution is concerned. For example, the kinds of questions which logically should have been, but originally were not, tackled by governmental agencies include analytical techniques, planning methodology, distribution of costs and benefits among various groups of the population, the analysis of likely responses to various incentive mechanisms by different activities generating residuals, optimal types of governmental organization, economic and other implications of alternative REQM strategies, perceptions of environmental quality problems and attitudes toward them. However, once such topics were tackled via funding by private philanthropy to universities and research organizations such as Resources for the Future, and methodologies were developed, governmental agencies often have "picked up the ball' and allocated their larger resources to further development and application. It is this innovative and initiating role in research that private philanthropy has been, is, and will be, crucial.

Thus the role of private philanthropy is to provide sufficient financing to insure that an adequate amount of research on the "cutting edge" of the environment-pollution sector is accomplished. The thrust of the private sector effort should be on developing methodologies and analytical approaches and evaluation of policy, particularly with respect to variables difficult for governmental agencies to analyze, such as "life style."

The annual allocation from the private sector required to support this "cutting edge" research is on the order of five million dollars. This is because government agencies, particularly NSF and EPA, have been allocating increasing funds for "software" REQM research. On the order of 10-15 million dollars per year appears to be devoted to this type of research, although published budget categories defy unambiguous interpretation. Additional amounts are allocated to specific elements of the REQM system, particularly ecosystem studies. The problem is primarily that of finding competent researchers and research projects, not so much of funding.

The above conclusion refers to the relatively short run. Over the longer run, i.e., 15-25 years, it is difficult to predict whether this role of private philanthropy will be needed. Clearly "residuals" problems will not go away in time. Consequently there will be a role for private philanthropy for some period, the role diminishing over time as governmental agencies become better able to carry out the needed research. The best estimate is that there will be a critical need for private philanthropic financial support for research on environment-pollution for at least the next decade.

Monitoring Implementation

The second major activity where private philanthropy has an important and a critical role is monitoring implementation. The problem is that of developing mechanisms, instrumentalities, institutions for keeping governmental agencies on the right track, i.e., what can be termed the "watchdog" function. Legislation is a means, not the end; it must be converted into specific administrative guidelines, rules, procedures, and those implemented to achieve the goals agreed upon in the legislative process. These goals can be eroded over time by the performance of both line (management) and regulatory agencies. Or the goals of society may shift, and the agencies may not shift correspondingly, despite having the "organic" capacity to do so.

Typically, regulatory agencies have: (1) been increasingly "taken over" by those who are being regulated; and (2) become increasingly narrow in perspective over time, in relation both to societal goals and to their originally defined usually multiple objectives. Similarly, line agencies responsible for multiple outputs tend to emphasize increasingly over time those outputs which can be most readily converted into monetary terms and which reflect the interests of development-oriented private groups.

The "watchdog" activity is critical. At the same time, it is difficult for certain types of interests to perform the activity, because of the dispersion of the members of the interest group and limited financial resources, for example, the many individual commercial fishermen or recreationists using a large bay or estuary.

In the last decade or so, there has been a relatively rapid increase in the number and activity of "citizens" – or often called private "public interest" groups, particularly in the environmental field. Prior to that time the watchdog function if it was performed at all, was performed by one or another type of advisory committee, at least in concept. There are various forms of advisory committees, i.e., appointed by administrators without or with legislative mandate, established specifically by legislation, etc. The effectiveness of any advisory group is a function of the competence of the individual committee members, the time the committee members have available to spend on the problems, the extent of professional staffing provided to the committee, the reporting procedure, the source of financing, and the interest and receptivity on the part of the "client."

The record is reasonably clear: such advisory groups have been relatively ineffective in performing the necessary "watchdog" function. Virtually no bureaucrat is willing to finance a critical, even though objective, independent review-evaluation group from his own budget, although the "ombudsman" concept has been given considerable publicity in recent years. Needed are both instrumentalities and financial capacity to intervene in the decision-making processes relating to environment-pollution problems. Such intervention involves the gathering of additional data, making additional analyses, evaluating the reports and related materials produced by the governmental agencies involved. This monitoring activity must be continuous, i.e., eternal vigilance is the price of positive environmental quality.

The National Environmental Protection Act (NEPA), and the U.S. judicial system in general, provide a mechanism for intervening in the decision-making processes and raising questions–at a minimum about procedure, and sometimes about substance, relating to both environment-pollution and environment-preservation. Legislation in various states requiring environmental impact statements similarly provides a mechanism for intervention. However, to take advantage of the mechanism requires activity by private groups, such as the Sierra Club, the Environmental Defense Fund (EDF), the Natural Resources Defense Council (NRDC), the League of Women Voters (LWV), Ban the Non-Returnable Bottle groups, etc. Activity in turn requires financing, which in the past has come primarily from individual contributions. However, private foundation contributions to support development of the legal bases for action was critical.

Because organizations such as EDF, NRDC, Environmental Action, are considered lobbying organizations, contributions to them are not tax-deductible. This may well inhibit private philanthropy from helping to redress the "balance of power" with respect to environment-pollution issues. Such issues very often involve a balancing of impacts on industry versus impacts on environmental values. Generally industry (and often the government acting primarily for industry) has far more resources to throw into "the battle" than the environmental groups, in terms of: lobbying capacity; financing advertising (most of which can be written off as a "business expense"); capability to engage in litigation; and generation of technical information. It is with respect to the last of these that private foundations can play an important role, along with general support of non-lobbying organizations such as the LWV. Such support would result in a more effective implementation monitoring activity.

It merits emphasis that the United States is fortunate to have both the institutional mechanisms for providing additional inputs into decision-making —legislation and judicial system—and the possibility of organizing private groups to utilize those mechanisms. No other country is comparably structured.

Thus, the need is for reasonably assured financing of the implementation-monitoring function over time. The magnitude of the need will not diminish over time, at least not until both "life style" and income distribution shift such that the values involved become incorporated in the values of society and the normal decision-making processes of government.

It is more difficult to assess what the magnitude of the need is in this case than it is with respect to research. An annual expenditure of five to ten million dollars appears to be the proper order of magnitude. Probably no one "private voluntary" organization should be financed indefinitely. Certainly five-year review of performance would be appropriate. The history of voluntary organizations typically is that they are effective for some period of time, sometimes longer and sometimes shorter, and then begin to become narrow, solidified, no longer performing their original functions. It is difficult to reinvigorate voluntary agencies, particularly since so many of them depend on one or a few personalities. Thus, care should be exercised in how the expenditure would be made for support of implementation-monitoring. One of the important objectives would be to continue to seek out each year new small operations which merit help to get established on their own. In some, perhaps in many, cases, substantial numbers of individuals in an area are willing to support an activity, but the problems of getting it organized and tapping their resources is difficult. In effect, seed money is what is required.

Summary

Two activities meriting support from private philanthropy have been identified in the environment-pollution area: (1) innovative and initiating research on REQM; and (2) implementation-monitoring of actions of all levels of government relating to environment-pollution. It should be possible to decrease private support for the former from a suggested annual level of five million dollars after another decade or so. Private support to aid in taking effective advantage of existing and evolving mechanisms for intervening in decisions concerning environment-pollution will always be required, at a level of five to ten million dollars per year.

Appendix

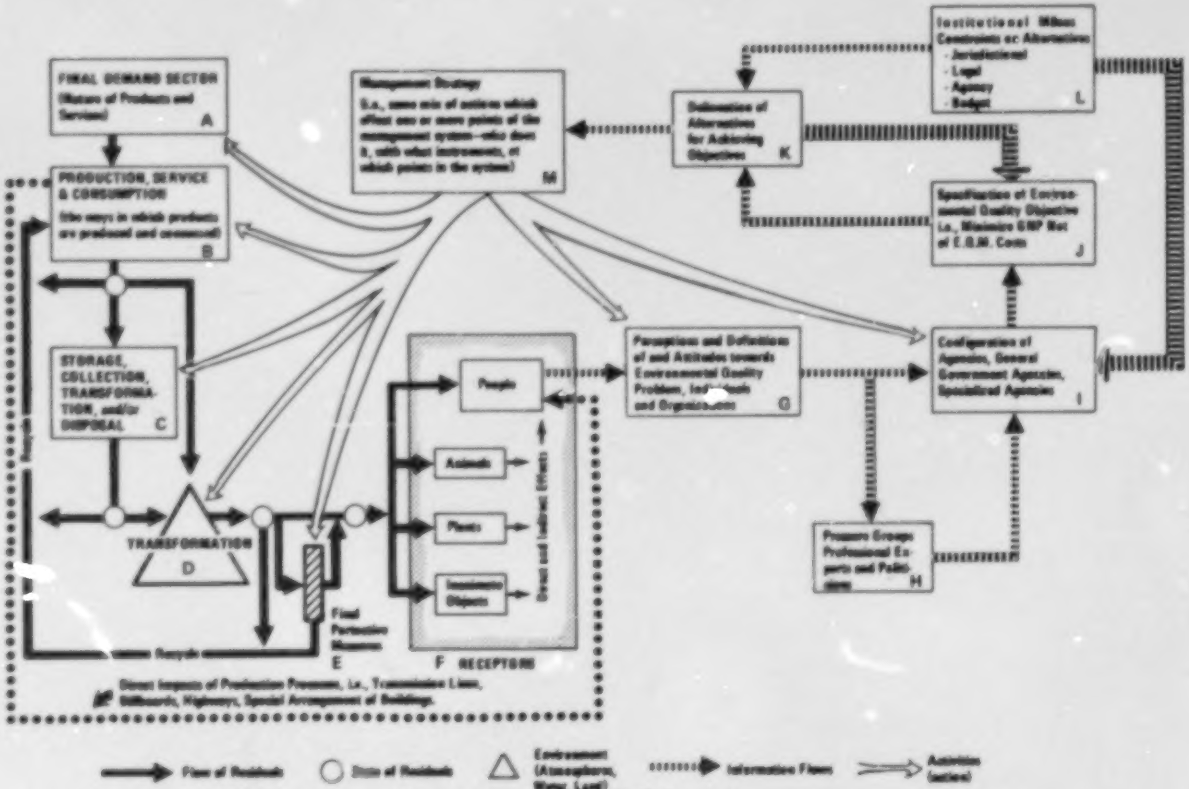
Hardware Research vs. Software Research

The reason that environmental pollution from the discharge of residuals exists in any society is because the use of the environment as a factor input into production has traditionally been at zero cost. That is, there has been no charge for the use of the assimilative capacity of the environment, analogous to charges for raw materials, labor, capital, land. As a result, rational entrepreneurs and plant managers—capitalist and socialist alike, have sought to use as much as possible of their least expensive factor input, environmental services, in attempting to maximize profits. As long as population and productive activities were widely dispersed, use of the environment for disposing of residuals resulted in few externalities. At greater population and production levels, the use of the environment by one user began to impinge adversely on other users of the environment; ergo, pollution began to occur.

When constraints are imposed on the discharge of residuals to the environment—on a factory, mine, farm, management responds (if it is rational) by attempting to find the least cost means for reducing discharges. This may involve research or new or modified hardware—production processes, by-product production, methods of treatment. A similar response is engendered when the cost of any factor input increases, labor for example. When a new labor contract is signed increasing wage rates, this stimulates most management (in non-regulated industries at least), to find or develop labor-saving methods. In such cases there has never been any suggestion that the government or private philanthropy should subsidize the search for labor-saving methods. Or, when safety regulations were finally imposed on work plants, the costs to meet such regulations were accepted as normal costs of doing business. The debate was over the stringency of the regulations, not who was to pay for meeting them.

Thus there is no rationale for subsidy of hardware research in the environment-pollution field by private philanthropy. (There is also little rationale for subsidies by governments. Subsidies have been, and continue to be, made, despite: (1) the ofttimes difficulty of differentiating between subsidizing the development of non-productive technology versus productive, i.e., profit-making, technology; and (2) the basic fact that it is the responsibility of the individual discharger to develop and/or adopt means for reducing discharges.) On the other hand, software research on REQM systems, incentive mechanisms, distribution of costs to and benefits from improving AEQ, etc., is not likely to be undertaken by the private sector. As indicated in the body of the report, private philanthropy has played, and can continue to play, a critical role in supporting innovative and initiating software research in the environment-pollution field.

GENERALIZED RESIDUALS-ENVIRONMENTAL QUALITY MANAGEMENT SYSTEM


FINAL DEMAND SECTOR (Nature of Products and Services) A
PRODUCTION, SERVICE & CONSUMPTION (the ways in which products are produced and consumed) B
STORAGE, COLLECTION, TRANSFORMATION, and/or DISPOSAL C
TRANSFORMATION
D
Final Protective Measures
E
Recycle
Recycle
People
Animals
Plants
Inanimate Objects
Direct and Indirect Effect
F RECEPTORS
Direct Impacts of Production Process, i.e., Transmission Lines, Billboards, Highways, Spatial Arrangement of Buildings.
Management Strategy (i.e., some mix of actions which affect one or more points of the management system—who does it, with what instruments, at which points in the system) M
Delineation of Alternatives for Achieving Objectives K
Institutional Constraints or Alternatives:
- Jurisdictional
- Legal
- Agency
- Budget L
Specification of Environmental Quality Objective i.e., Maximize GNP Net of E.Q.M. Costs J
Perceptions and Definitions of and Attitudes towards Environmental Quality Problem, Individuals and Organizations G
Configuration of Agencies, General Government Agencies, Specialized Agencies I
Pressure Groups Professional Experts and Politicians H
Flow of Residuals
State of Residuals
Environment (Atmosphere, Water, Land)
Information Flows
Activities (action)

PHILANTHROPIC ACTIVITY IN INTERNATIONAL AFFAIRS

Adam Yarmolinsky[†]

Introduction

International affairs is traditionally thought of as a field of activity reserved to governments, and to public international organizations. But in fact the role of private nonprofit institutions in international affairs is well established and covers a wide range of activities, from international disaster aid to international exchange of persons, and a still wider range of ideas, from scholarly research to popular education. In all these areas, private philanthropy and government occupy overlapping spheres, in which public and private agencies work side by side, and public as well as private funding supports the work of the private sphere.

It is not surprising that this is so. In an increasingly interdependent world, it becomes increasingly artificial to treat international affairs as an entirely separate subject matter, to be handled in unique ways by persons with a unique set of skills. Rather, it is more realistic to think of international affairs as an aspect of almost every domestic concern; in business and industry, in agriculture, in finance, in technological development, in education, and in cultural activities. It is a thread that runs through the fabric of domestic affairs and that is inextricably interwoven with that fabric. Within government, international affairs is no longer the exclusive concern of the Department of State. Every department of government is involved, at one time or another, with matters of international affairs, in commerce, in agriculture, in labor relations, in the control of the environment. Similarly, philanthropic activity in international affairs is part and parcel of philanthropic activity generally, in health, in education, in the alleviation of poverty and distress, in support of the arts and the pursuit of learning. Within one of the major foundations, for example, the international division reports that it is working more and more closely with other divisions in the foundation. To the extent that philanthropy helps to support the exchange of persons and the study of international affairs, it is more and more supporting the international dimension of subject matter that has an at least equally important domestic dimension.

The great bulk of private international affairs activities still comes under the general heading of foreign aid (as the great bulk of public international affairs activities comes under the general heading of national security). This is to say that most of the activities (and most of the spending) by private nonprofit institutions that can be identified as international consists of various forms of private foreign aid: relief work or development assistance carried on overseas, or education and research carried on in the United States for the benefit of overseas populations. A second and much smaller category of activity consists of international affairs education and research: education and research about the rest of the world, carried on primarily in the United States, either to prepare Americans to work with the rest of the world or to educate Americans about the rest of the world and American's role in it.

But there is a third category of international activity that is increasingly important in the private nonprofit sector, as it is in other sectors of American society. That is work on common problems, with people and institutions from all parts of the world, whether it takes the form of peace research at the International Institute for Strategic Studies in London or at The International Peace Research Institute in Stockholm, or of journalism studies at the International Press Institute in Geneva, or at the International Institute of Broadcasting in Rome. This third category of activities has no definable boundaries, since it is increasingly an aspect rather than a category of philanthropy itself.

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The discussion that follows is addressed first to private foreign aid, as by far the largest category of international activities to date, and then to international affairs education and research. It is essential to bear in mind, however, that, across the entire spectrum of international activities, mutuality is gradually taking over. As is discussed in greater detail below, private foreign aid is increasingly a process of helping the less developed countries to pursue their own courses of development. Research and education in international affairs is increasingly a matter of mutual education and transnational study. And these developments are in addition to and interwoven with the joint pursuit of common problems across international boundaries, as described above, which will eventually make international activities only an indistinguishable aspect of philanthropic activity generally.

Table 1

Charitable Giving for International Activities

(in millions of dollars)

Type of Institution	A Gross Expenditures	B Net Expenditures
Private Voluntary Agencies	$700	$450
Foundations	200	200
Colleges and Universities	300	100
Corporations	50	50
TOTAL EXPENDITURES	$1,250	$800

Note: Column B, "Net Expenditures," represents expenditures adjusted for double counting, e.g., federal support to voluntary agencies. Data exclude federal defense-related health and research and development expenditures. Figures are rounded to the nearest $50 million, in order to avoid spurious accuracy.

Source: Column A -- Line 1 - "Voluntary Foreign Aid Programs, 1973," Agency for International Development; tentative figures for 1974 indicate an increase to $950 million and $700 million respectively; Line 2 - *Giving USA.* American Association of Fund-Raising Counsel, New York, 1974; Line 3 - Estimate based on unpublished survey data of the World Studies Data Bank, Academy for Educational Development, New York; Line 4 - represents 5 percent of estimated corporate contributions in 1973 as reported in *Giving USA,* supra.

Column B -- Line 1 - Federal Government ($208 million), foundation ($20 million), and corporate ($10 million) support to private voluntary programs was subtracted from line 1, Column A. Federal support was obtained from "Voluntary Foreign Aid Programs, 1973," supra. Foundation support was estimated at 9 percent of total foundation grants in the area of foreign affairs. Corporate support was estimated at 1 percent of total corporate philanthropic contributions, as reported in John Watson, "Biennial Survey of Company Contributions," The Conference Board, New York, 1973; Line 3 - estimate for federal, foundation, and other private support to colleges and universities were obtained from the World Studies Data Bank, supra.

There are no reliable figures on the volume of U.S. charitable giving to international activities. A rough estimate of this volume for fiscal 1973 (the latest year for which full figures are available) appears in Table 1. The net total of some $800 million, adjusted for double counting and to eliminate federal and state contributions and rounded off to avoid the impression of spurious accuracy, is compiled from estimates of expenditures by private voluntary agencies, foundations, colleges and universities, and business corporations. Three major problems account for the inadequacy of the statistics:

1. It is difficult, if not impossible, to define precisely what is an expenditure in international activities. How much of what kinds of university overhead should be attributed to its international activities? What portions of a health research program in, say, tropical diseases (which may appear in the United States) are properly international?

2. It is difficult to trace the flow of private and public funds. How much of the costs of a state university area studies program are attributable to annual state appropriations (public), endowment income (presumably all private), federal contributions (public), alumni giving (private), and foundation grants and corporate contributions (private)? How much of the expenditures of private voluntary organizations is attributable to various kinds of federal contributions and concessions? What about contributions by wholly (or partially) owned subsidiaries of U.S. corporations?

3. The numbers are not being collected or analyzed in any systematic fashion by public or private agencies. One of the principal current sources, the American Association of Fund-Raising Counsel, simply does not have the resources to compile comprehensive data. The Foundation Center uses a different set of definitions and does not attempt to categorize the giving programs of the enormous number of smaller foundations. And corporate contributions that do not pass through corporate foundations (as is increasingly the case) are not publicly reported or systematically collected. A new effort to organize and systematize the collection of statistics in this field is being undertaken by a committee of the National Council on Philanthropy, and should begin to yield better results in the next year or two. At the same time, however, the tendency of international activities to be assimilated into the various substantive fields of philanthropic giving, as described above, will make the task of collecting figures even more difficult over the long run and may eventually require a new taxonomy for philanthropic activity generally.

This paper surveys the range of philanthropic activities in international affairs; it is hoped that it will suggest new points of departure for future study.

I

PRIVATE FOREIGN AID

A Little History

The tradition of private foreign aid in the United States has its deepest and perhaps its strongest roots in the American missionary tradition. In 1649 John Eliot founded the first missionary society in North America, The Society to Propagate the Gospel in New England, while the earliest place names in California mark the missionary origins of much of its settlement, begining with Father Junipero Serra in 1769.

The American missionary movement abroad came into full flower in the nineteenth century. The American Board of Foreign Missions (modeled on the eighteenth-century British Society for the Propagation of the Gospel in Foreign Parts) was founded in 1810, and at its centennial celebration, its then president, Samuel Capen, reported that Americans had given $40 million for missionary work during the century. The Student Volunteer Movement for Foreign Missions had recruited thousands of volunteers during that period.[1]

The missionaries of the nineteenth and early twentieth centuries did a great deal besides carrying the gospel to the heathen. Samuel Capen declared that the American Standard of Living could turn Heathendom into Christendom. Much of the missionary activity could be described as primitive technical assistance, applying American ingenuity and initiative in agriculture, in health care, in education, and in industrialization. Cyrus Hamlin, an American missionary to Turkey, used empty beer casks to make wash tubs for the verminous uniforms of British soldiers in the Crimean War, thereby reducing the spread of typhus, and providing employment for Turkish women. Another of Hamlin's ventures, a bakery that produced nutritious, honest-weight loaves of bread, attracted the attention of a New York railroad magnate, Christopher Rhinelander Robert, who heard about the "Protestant bread" when he was visiting in Turkey, and was persuaded to contribute the original endowment for a missionary college that achieved international fame as Robert College – now Bosphorus University.

There is also a strong secular tradition in the development of American private foreign aid, particularly in the area of disaster, famine and refugee relief. Colonial Americans responded to the needs of French Acadians exiled from Canada, a century before Longfellow described their fate in "Evangeline." More than a million dollars in private donations went to Irish famine relief in the first six months of 1847. The American Red Cross was organized in 1882. Large amounts of food were donated to relieve the Russian famine of 1891. During the nineteenth century, private food relief went to India, China, and Cuba and refugee relief to Armenians, Greeks, and Jews. These contributions were in part a response to the flow of private gifts from the Old to the New World, both by way of disaster relief and to found new institutions of learning and culture.

Throughout the nineteenth century the prevailing view, in fact, was that the use of public funds for charitable purposes would be unconstitutional. A $50,000 appropriation for Venezuelan earthquake relief in 1812 was soon forgotten, and President Polk announced in 1847 that he would veto any congressional appropriation for Irish famine relief, on constitutional grounds. The constitutional objection also prevailed over an 1891 proposal to appropriate funds to ship donated food to relieve famine in Russia.

U.S. relief operations during and after World War I were largely private; Herbert Hoover's first relief effort, the Commission for Belgian Relief in 1914, was entirely so. In 1921 and 1922 the Congress appropriated $4 million to Russian war relief, in Army surplus medical supplies, through the Red Cross, but the great bulk of the $80 million spent on Russian war relief came from private funds, as did the more than $100 million spent on Near East Relief during the decade of the twenties.[2]

Meanwhile, the missionary tradition and a deep personal concern had stimulated one man to create a family of institutions that gave new dimensions to private foreign aid. The Rockefeller Foundation was chartered in 1913 "to promote the wellbeing of mankind throughout the world."[2] (Sixty years later, John Knowles, the newly elected president of the foundation in his program statement, "The Course Ahead," reaffirmed the proposition that "most of man's basic problems are global in dimension.") John D. Rockefeller had observed earlier (in 1907) that "the best philanthropy involves a search for cause, an attempt to cure evils at their source," and the new institutions he created introduced a systematic approach to the tasks of foreign aid.

Within its first month, the Rockefeller Foundation created an International Health Commission, and within the first nine months a study was initiated which led to the establishment of the China Medical Board before the end of 1914. The board was largely responsible for the beginnings of modern medical education in China, and after it was cut off from giving further aid there, has been operating throughout South East Asia.

The primary focus of the foundation's international activities during its first 30 years continued to be on medicine and public health, building on the rural sanitation work of the Rockefeller Sanitary Commission, which had been remarkably successful in eradicating hookworm in the Southern United States and which moved into the foundation in 1913. The foundation's most dramatic achievement was the development of a vaccine for yellow fever. It also worked on malaria, eliminating one of its worst forms carried from Africa to Latin America, and on typhus and tuberculosis. At the same time, it helped to build and endow 22 schools of public health in the United States and has supported more than 10,000 people under a fellowship program established in 1917 to promote the study of medicine and public health which has since been expanded to include the whole gambit of the social sciences, agricultural sciences, and, most recently, the environmental sciences. While foundation teams in the field worked with national governments and local authorities, researchers pursued fundamental and applied research on foundation grants, and indigenous experts and administrators were trained on foundation fellowships.

During the 1940s, the foundation began to phase out of international public health. The International Health Division was folded into what became the Division of Medicine and Public Health, and the foundation's primary focus shifted to the problem of increasing the world's food supply. Beginning in Mexico in 1943, a program of applied research aimed at increasing yields per acre produced new strains of wheat, corn, and rice that resulted in The Green Revolution throughout the developing world – the work for which Dr. Norman Borlaug of the foundation staff received the Nobel prize. Again, the work was carried out by field staff, backed up foundation-supported laboratory research (some of which antedated the program by many years) and supplemented at first by training of individual host country nationals, then by support for the establishment of agricultural schools and institutes in the host countries, and, in the sixties, by the creation, jointly with host governments and The Ford Foundation, of six international institutes for agricultural research, in Asia, Africa, and Latin America.

Beginning in 1963, stabilization of population growth became a top priority in the Rockefeller Foundation's program. This facet of the program includes fundamental research, development of more effective contraceptives, education and training of professionals, and support for delivery systems, including family planning. An important part of the program was the creation of centers for the study of reproductive biology at a number of U.S. universities.

Education has been an essential instrument in the foundation's work on public health, food production, and population control. But international education has been a program in itself since the establishment of the International Education Board in 1923 and its absorption into the foundation in 1928. Stimulation of higher education in the developing world became a specific program goal in 1963, carried out primarily through regional centers of academic strength, like the University of Valle in Colombia and the University of Ibadan in Nigeria. The early accomplishments of the foundation in this field included, according to Gerald Holton, the internationalization of physics in the 1920s. Among those who received foundation fellowships were Nobelists Fermi and Heisenberg. Support went to Niels Bohr's Institute for Theoretical Physics at Copenhagen, and made possible the world-famous Institute of Mathematics at Gottingen. Social science fellows included Gunnar Myrdal and Hugh Gaitskell.

In its humanities program as well, the foundation acted on the principle that, in the words of Dr. Knowles, ". . . people of unusually great mental and spiritual capacity . . . are confined to no single country or tradition."

The Ford Foundation, which entered the international field as soon as it became a major national foundation, beginning in 1950, rapidly increased the international share of its budget, up to more than one third of total spending, and focused its efforts in private foreign aid, generally in the same fields as the Rockefeller Foundation – agriculture, population control, education, and stimulation of other development skills. Three other foundations – Kellogg, Carnegie, and the Asia Foundation – have worked extensively in the international field – and to a somewhat lesser extent, Lilly and Clark.

During the first 30 years of the Rockefeller Foundation's life, before The Ford Foundation was even a local Michigan charity, government played a very limited and even negative role in foreign aid – as government had in earlier eras. Although the League of Nations established a High Commissioner for Refugees, Fridtjof Nansen (who devised the Nansen passport), the U.S. did not participate in the League's program. The Neutrality Act of 1939 even restricted private aid to belligerents,[3] although the U.S. was a member of the 36-nation Intergovernmental Committee on Refugees, organized in the late thirties to help victims of Nazi persecution, and U.S. immigration barriers were lowered for these refugees, as they were for Hungarian refugees in the late fifties. The burden of receiving and placing the flood of refugees and displaced persons during the pre-war years was still carried by private voluntary organizations, primarily the religious and ethnic group organizations. At the time the Rockefeller Foundation began its agriculture program, the U.S. Government had a policy *against* working on certain major food crops in foreign countries, as competitive with U.S. agriculture.

But with the crushing impact of World War II on civilian populations, the United States was plunged into public relief operations, and even before the war's end joined in the organization of the United Nations Relief and Rehabilitation Administration (UNRRA) to which the United States contributed some $3 billion, or 70 percent of its budget over the next 5 years. In 1947 President Truman secured $400 million from the Congress in aid for Greece and Turkey, in support of the Truman Doctrine. In 1948 the Marshall Plan was launched to support European recovery, with an eventual total of $22 billion in publicly funded U.S. resources. And in 1949, President Truman proposed Point Four: "A bold, new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas."

Point Four extended foreign aid from Europe to the developing regions of Asia, Africa, and Latin America, and from relief and recovery to economic, political, and social development. The program included technical assistance, capital grants for supplies and equipment, and large amounts of surplus U.S. food stuffs made available under a series of food aid programs culminating in P.L. 480, enacted in 1954. By 1970, the United States had spent some $125 billion on foreign aid, two thirds of that amount on economic (as distinguished from military) aid, and two thirds outside Europe. Still, it never even approached the minimum level of 1 percent of gross national product for aid to developing countries proposed by the Pearson Commission.[4]

The multilateral dimension of public foreign aid, on the other hand, has expanded enormously since World War II with the creation of a number of new international agencies in the post-war period, including UNESCO (1945, incorporated into UN 1946), UNICEF (1946), the World Health Organization (WHO) (1948), the Food and Agricultural Organization (FAO) (1949), the World Food Program (WFP) (1963), the International Refugee Organization (IRO) (1948), and the United Nations Development Program (UNDP) (1965), and particularly with the doubling of the World Bank's development activities in the last five years. But U.S. funding for multilateral programs has not achieved the volume of the U.S. national program, and the current reluctance of the U.S. Congress to appropriate funds – for example, for the World Bank's soft loan program – casts a long shadow on future prospects. Private voluntary agencies have been involved more and more in U.S. and multilateral aid programs, and their role is discussed in detail below.

The Shape of Private Foreign Aid Today

Both public and private foreign aid agencies are going through a fundamental process of transformation, and, as has been the case in earlier epochs, private foreign aid, supported by both public and private funding, is taking a leading role in the process.

The transformation that is taking place has its roots in four circumstances:

1. The growing recognition that the less developed countries cannot hope to close the gap between their present standards of living, measured in per capita shares of gross national product, and the standards of living of the developed world, and that they will have to find new ways to achieve a decent way of life for their populations, at lower material levels, and probably by resort to more labor-intensive (and less capital-and-energy-intensive) activity.

2. The growing concern that current development efforts and conventional foreign aid are raising the incomes and improving the life styles of the affluent minorities in the less developed world while not reaching the impoverished majority of the population.

3. The growing sympathy with populist movements, and voluntary organizations generally in the less developed world, replacing cold war stereotypes of those movements, and rather seeing them as indigenous sources of energy and ideas to transform their societies.

4. The general decline in public foreign aid has meant that a number of countries and a number of areas of activity are simply not touched by progress.

There is an increasing trend of opinion among professionals in foreign aid that private voluntary efforts are particularly effective in pointing out, for example, the need to focus educational programs at the primary and secondary level, or the need to focus health programs on training nurse-practitioners and physicians' assistants, or the advantages in drilling tube wells with human labor rather than with well-drilling rigs operated by outside contractors with expensive fuel.

These four circumstances have found expression not only in the work of U.S.-based private voluntary organizations for overseas relief, but also in the 1973 amendments to the U.S. foreign aid legislation, which encourage cooperation and increased interface between private and public agencies by calling for a "new approach to development and providing unique opportunities for voluntary agencies to work in partnership with government agencies."[5] The amendments, discussed further below, reflect a congressional mandate to channel a greater proportion of development assistance through the private sector.

These changes are the subject of a major study recently initiated by the Overseas Development Council, the leading private research organization in the field. The study, "A Program to Analyze and Enhance Effectiveness of Private American Organizations in Assisting Development Overseas," is addressed to the need for a critical analysis of the changing role, goals, and strategies of voluntary organizations, and the establishment of criteria to measure, and thus increase, their effectiveness in contributing to development. The study will include an analysis of the state of the world in development terms, focusing on approaches to aid giving and aid receiving; the current role of private development bodies; an examination of the changing needs and demands placed on private organizations for future development; methodologies for establishing effectiveness criteria and for measuring effectiveness; recommendations for creativity in improving effectiveness and constituency relations in the United States, including possible structural and funding innovations.[6]

Table 2

Seven-Year Totals – Foreign Disaster Statistics and Emergency Relief Expenditures, FY 1965 Through FY 1971

			FUNDS EXPENDED OR VALUE OF ASSISTANCE PROVIDED IN THOUSANDS OF DOLLARS ($1 million will appear as 1,000)								
						P. L. 480 FOOD FOR PEACE					
FISCAL YEAR	NUMBER KILLED	TOTAL REPORTED OR ESTIMATED VICTIMS	CONTINGENCY FUNDS	OTHER AID FUNDS	VALUE OF ASSISTANCE OTHER US AGENCIES	GOVTS. OR INT. ORG.	VOLAGS**	VOLAGS, OTHER U. S. ASSISTANCE	TOTAL U. S. ASSISTANCE	REPORTED ASSISTANCE OTHER NATIONS	REPORTED ASSISTANCE HOST COUNTRY
1971	522,212[1]	68,069,760	15,882	36,866	16,400	106,456	13,380	16,684	205,668	266,636*	744,837*
1970	72,915[2]	11,743,040	6,259	11,563	296	21,908	8,709	12,202	60,937	59,493*	96,595*
1969	1,018,534[3]	32,482,216	4,447	24,771	51	71,913	1,439	12,246	114,867	95,495*	130,974*
1968	4,103	5,455,602	1,357	6,398	3,112	20,440	1,223	7,866	40,396	16,504*	607,108*
1967	17,547	14,223,092	6,167	5,772	371	31,230	37,816	12,235	93,591	173,233*	2,964,747*
1966	7,086	4,139,646	652	983	56	21,459	2,271	1,572	26,993	9,566*	*
1965	47,089[4]	5,504,173	2,433	18,728	—	21,137	4,077	3,751	50,126	3,576*	*
7-YEAR TOTAL	1,689,486	141,617,529	37,197	105,081	20,286	294,543	68,915	66,556	592,578	624,503	(billion) 4,544,261*

*Incomplete or not available. Note that for FY 1965 and 1966 only limited information was available on assistance by other nations and none on self-help. In later years it became possible to obtain more information for these two columns but they are still incomplete.

[1] 500,000 deaths were result of Nov. 1970 cyclone and 1971 civil strife in East Pakistan.

[2] Over 66,000 of total deaths due to May 31, 1970 earthquake in Peru.

[3] Of deaths shown, one million were result of civil strife in Nigeria. This was an estimate—may be too high.

[4] 36,000 of deaths were result of May 11, 1965 cyclone in East Pakistan.

**Private voluntary agencies.

Source: 11th Report Foreign Disaster Emergency Relief F.Y. 1971, Agency for International Development, p. 180.

It may well be that an end product of this transformation of the foreign aid process will be a body of ideas that is also applicable in the developed world, in the new era of near-term energy shortages and long-range limits on growth.

While these changes are taking place, private voluntary organizations are engaged in a wide range of foreign aid activities. The kinds of activities that make up private foreign aid today can be broken down under four major headings: disaster relief, refugee aid, food aid (giving food, as distinguished from developing local capacity to produce more food), and most important of all, development assistance. In each of these categories a variety of private organizations, funded in a variety of ways, is engaged in delivering services and funneling research results, training, supplies, equipment, and dollars into foreign aid operations. These organizations include foundations, universities, religious denominations, single-purpose organizations like VITA (Volunteers In Technical Assistance), and organizations that spring up to respond to particular crises, like Bangladesh Relief, as well as an enormous range of organizations that include a foreign aid component in their programming, from Rotary and Kiwanis to the U.S. Chamber of Commerce and the AFL-CIO.

Disaster Relief

Perhaps the most basic kind of foreign aid is help in a disaster – earthquake, flood, or the destruction of war. Here private voluntary agencies have been an essential arm of government-to-government and public international agency assistance[7] (see Table 2), sometimes serving as an early warning system, providing a conduit for emergency rations and supplies, and helping to organize or restore indigenous voluntary efforts. U.S. AID disaster reports indicate that while the dollar volume of services and supplies provided by private agencies is relatively small compared with publicly supported efforts in any given crisis, their presence on the scene is of critical value, and the network that they maintain could not be kept up on a standby basis with anything like the geographical coverage that the private agencies are able to achieve.

Refugee Relief

Contrary to popular impression, the number of refugees in the world has been steadily on the increase over the last decade, so that the total amounts to more than 15 million men, women, and children today. (See Table 3.) Again, while large-scale refugee operations are conducted on a government-to-government basis often with the help of intergovernmental organizations, private voluntary organizations play a facilitating role, and maintain a reservoir of expertise that is essential in dealing with periodic crises as well as continuing problems. Private organizations dealing with refugee problems may also be able to focus more effectively on underlying problems of political injustice, as for example, Amnesty International has focused public attention on the systematic use of torture in the treatment of political prisoners in a number of countries.

Food Aid

The bulk of the food supplied to developing countries under P.L. 480 Title II programs has been and still is supplied on a government-to-government basis. Out of a total dollar value of $290,000,000 provided in 1973, more than $170,000,000 worth was made available through voluntary agencies. Of this total, 74 percent was distributed through two agencies, Catholic Relief Services and CARE, in approximately equal amounts, and the balance was distributed by nine other

Table 3

World Refugee Population

Area	1967	1968	1969	1970	1971
Asia	9,181,800	7,296,300	12,473,949	10,204,467	10,139,467
Middle East	1,761,572	1,717,201	1,538,674	1,601,746	1,851,746
Africa	1,586,366	5,061,487	1,956,083	1,857,699	1,863,664
Europe and U.K.	901,095	949,819	634,240	720,540	719,040
Western Hemisphere	2,108,008	2,207,208	1,540,065	1,318,576	1,401,576
TOTAL	15,538,841	17,318,320	18,143,011	15,703,028	15,975,493

Area	1972
Asia	10,421,427
Middle East	1,887,645
Africa	1,268,791
Europe and U.K.	715,618
Western Hemisphere	1,389,076
TOTAL	15,682,557

Figures obtained from The United States Committee for Refugees.

organizations.[8] With the temporary disappearance of U.S. food surpluses, however, and the continuing increase in U.S. food prices, along with prospects of reduced production, the Advisory Committee on Voluntary Foreign Aid concludes that "P.L. 480, as it affects the availability of food for overseas distribution by voluntary agencies, has been rendered largely obsolete."[9]

Existing and predicted food shortages in developing countries remain a massive problem. A limited number of voluntary agencies has acquired the general expertise (and in some cases the local expertise) to administer food aid. There are two open questions: How much of the burden of supplying the food deficit will the United States assume? And how much of a role will the private voluntary agencies play in delivering that food supply? The answer to the first question is a matter of U.S. public policy, since any significant contribution to the problem will require both public funds and a decision about the allocation of relatively scarce resources which might be used within the United States or for paying customers overseas. The answer to the second question will depend primarily on the reaction of the U.S. and host governments as to whether they will insist on handling food aid on a government-to-government basis, using their own personnel (including the developing network of indigenous voluntary organizations) to handle distribution; or whether they will accept the good offices of U.S. private voluntary agencies to assist in the process. This reaction will in turn depend to a great extent on the ability of the U.S. private voluntary agencies to adapt to the shift to a more active role proposed for them in the 1973 foreign aid legislation, and described in *A Look to the Future*,[10] from a primary emphasis on relief operations to a primary emphasis on development assistance, discussed further below.

Development Assistance

Development assistance activities involve helping the developing countries to help themselves. Functional elements include practical work in the field (assisting farmers in programs such as using new varieties of seeds or organizing child care centers at the community level); basic and applied research (in reproductive biology, in early childhood education, in agricultural economics); training experts and administrators in the United States and in third countries; strengthening existing institutions and creating new institutions in the country itself and at the regional level to do training and education, and to guide the development process (a national or regional rice research institute, a new university, an economic development commission); and making major capital investments in the developing countries (power grids, processing plants, transportation systems).

The bulk of the funds for these activities come from public sources: The U.S. foreign aid program and other national programs; The United Nations Development Program, The World Bank, and other supranational agencies. (See Tables 4 and 5.) On the other hand, most of the people who work in development assistance activities in the field, other than the citizens of the countries themselves, are employees of private nonprofit organizations: universities, foundations, private voluntary agencies.

If the changes mandated in the 1973 amendments to the U.S. foreign aid legislation are carried out as described above, the role of the private voluntary agencies will be increased, both qualitatively and quantitatively. A larger proportion of AID funds will be channeled through these agencies, and they will be encouraged to initiate more development assistance proposals by seeking AID grants rather than responding to AID program initiatives under government contracts.[11] Grant funds are already being used in this fashion by the governments of Canada, West Germany, The U.K., The Netherlands, Sweden, and Norway in their foreign aid programs. The private foundations being created overseas, particularly in Germany and Japan, are also taking an interest in development assistance.

This shift of emphasis will, in turn, require the voluntary agencies to develop new kinds of skills, shifting the focus of their own programs and people from relief to development. The shift will be difficult for voluntary organizations generally, because their fund raising (largely from individual contributors) has emphasized that their funds go directly to the relief of suffering, and it will require some reeducation to convince contributors that dollars spent on planning and institution-building may be more productive in the long run.[12] On the other hand, these private dollars become even more important, since private organizations that become entirely or primarily dependent on public funding lose an important aspect of independence. It will be particularly difficult for those organizations that are not primarily concerned with overseas programs – Kiwanis, Rotary, Boy Scouts of America – to make the shift. On the other hand, organizations like Volunteers for International Technical Assistance and the International Executive Service Corps fit right into the new approach. But whatever their problems with their constituencies, these voluntary organizations are particularly well equipped to help activate the voluntary sector in the countries in which they are working, in order to pursue the new kinds of foreign aid objectives described above.

The role of the major foundations (primarily Ford, Rockefeller, Kellogg, Carnegie, Lilly, and Clark) has already changed since the Rockefeller Foundation established itself in the development field a generation before public foreign aid became a significant reality. Foundation programs have in a number of instances been integrated with public programs, so that manpower as well as funding from public and private sources contributes to a single project. When AID and The World Bank went about setting up the Consultative Group on International Agricultural Research, John Hannah, the AID Administrator, and Robert McNamara, President

Table 4

Summary For All Countries
(U.S. Fiscal Years – Millions of Dollars)

PROGRAM	U. S. OVERSEAS LOANS AND GRANTS - OBLIGATIONS AND LOAN AUTHORIZATIONS											REPAY-MENTS AND INTEREST 1946-1973	TOTAL LESS REPAY-MENTS AND INTEREST
	FOREIGN ASSISTANCE ACT PERIOD										TOTAL LOANS AND GRANTS 1946-1973		
	1962-1965	1966	1967	1968	1969	1970	1971	1972	1973	TOTAL FAA PERIOD 1962-1973			
I. ECONOMIC ASSISTANCE[a] – TOTAL	17,039	4,784	3,942	4,1[illegible]	3,526	3,676	3,442	3,941	4,118	48,566	101,520	13,525	87,995
Loans	8,346	2,238	1,662	1,[illegible]5	1,340	1,389	1,299	1,639	1,391	21,139	34,313	13,525	20,788
Grants	8,693	2,546	2,281	2,[illegible]67	2,185	2,288	2,143	2,301	2,726	27,427	67,207	-	67,207
a. A.I.D. and Predecessor Agencies	9,517	2,677	2,419	2,176	1,690	1,877	1,861	2,072	2,001	26,288	55,366	4,886	50,480
Loans	5,362	1,306	1,195	1,084	723	807	718	625	664	12,484	16,131	4,886	11,245
Grants[b]	4,155	1,370	1,224	1,092	968	1,070	1,142	1,[illegible]	1,338	13,804	39,235	-	39,235
(Security Supporting Assistance)	(2,370)	(905)	(773)	(602)	(443)	(503)	(573)	(620)	(622)	(7,410)	(15,718)		
b. Food for Peace (PL 480)	5,715	1,558	970	1,329	1,179	1,142	1,231	1,223	1,119	15,466	21,990	2,604	19,386
Title I - Total	3,739	1,046	612	952	734	711	791	746	724	10,054	13,921	2,604	11,317
Repayable in U.S. Dollars - Loans	328	282	114	405	507	485	546	683	724	4,074	4,074	842	3,231
Payable in Foreign Currency - Planned for Country Use	3,410	764	498	548	227	226	245	63	-	5,981	9,848	1,762	8,086
(Total Sales Agreements, incl. U.S. Uses)	(4,367)	(991)	(640)	(649)	(280)	(272)	(311)	(60)	(-)	(7,569)	(13,061)	(-)	(13,061)
Title II - Total	1,976	512	359	376	445	433	440	477	394	5,412	8,069	-	8,069
Emergency Relief, Econ. Development, & World Food	730	254	156	180	242	250	250	280	217	2,558	3,312	-	3,312
Voluntary Relief Agencies	1,246	258	203	196	203	181	190	197	177	2,853	4,758	-	4,758
c. Other Economic Assistance	1,807	569	553	598	655	657	350	646	998	6,812	24,163	6,035	18,128
Contributions to Int'l. Lending Org.[c]	717	354	374	426	480	480	180	142	775	3,926	4,750	-	4,750
Peace Corps	246	113	104	107	100	91	85	75	81	1,002	1,002	-	1,002
Other	844	82	75	67	75	86	85	429	142	1,884	18,411	6,035	12,376
III. TOTAL ECONOMIC AND MILITARY ASSISTANCE	25,017	7,074	6,883	6,920	6,772	6,647	7,705	8,538	8,363	83,917	163,696	14,992	148,702
Loans	8,806	2,555	1,985	2,098	1,621	1,659	2,042	2,180	1,941	26,696	38,011	14,992	23,019
Grants	16,210	4,519	4,899	4,821	5,153	5,189	5,663	6,358	6,421	59,223	125,686	-	125,686
Other U.S. Government Loans and Grants	1,306	554	1,782	1,372	916	1,491	1,701	2,536	3,543	15,200	21,361	13,658	7,703
a. Export-Import Bank Loans[d]	1,302	541	1,780	1,264	839	1,379	1,438	2,237	2,347	13,127	19,287	12,994	6,293
b. All Other[e]	4	13	2	108	77	112	263	299	1,196	2,073	2,073	664	1,409

Source: U.S. Overseas Loans and Grants, p. 6.

Table 5

U.S. Economic Assistance, Military Assistance, and Credit Sales Programs Estimated For FY 1974

(in thousands of dollars)

		Economic Assistance Programs				
	Total Economic & Military Assistance & Credit Sales	Total Economic Assistance	AID	Peace Corp	PL-480	Int'l Narcotics Control
Summary	8,587,797	3,802,386[1/]	1,886,283	77,240	1,152,236	42,500

Source: U.S. Overseas Loans and Grant, Appendix

U.S. CONTRIBUTIONS TO INTERNATIONAL FINANCIAL INSTITUTIONS – TOTAL	644,127
International Development Association	320,000
Inter-American Development Bank	
Paid-in Capital	25,000
Callable Capital	(168,380)
Special Funds	225,000
Asian Development Bank	
Paid-in Capital	24,127
Callable Capital	(96,508)
Special Funds	50,000

[1/] Includes $644,127,000 in U.S. contributions to international financial institutions.

of the World Bank, insisted that both the Ford and Rockefeller Foundations commit themselves to a continuing role in the management and guidance of the research centers, involving foundation staff as well as foundation dollars.

The numbers of foundations involved in development assistance in a significant way remains small, and is necessarily limited to foundations with adequate professional staff, including some overseas field staff. These foundations have long been aware of the disparity between their resources and public resources, and they have responded in four kinds of ways:

1. They are emphasizing pilot projects, relatively small but capable of replication by public donors or host countries. Where they provide general institutional support, it is on a declining basis.

2. They are encouraging replication by "networking" – supporting the creation of regional networks around new centers for the dissemination of knowledge and techniques: The Ford Foundation has just completed a project it undertook 15 years ago to establish 5 new centers for teaching science in secondary schools – in the Philippines, in Turkey, in Kenya, in Brazil, and in Argentina – with links to other countries in each area. The Rockefeller Foundation is working with the education departments of universities in developing countries to strengthen secondary school systems.

3. They are concentrating on aspects of problems that government, for its own special reasons, may not be paying much attention to. Both Ford and Rockefeller have concluded that family-planning programs can largely be left to the support of governments and international agencies, while research in reproductive biology still requires intensive support, so much so that Ford spending on this research amounts to more than 10 percent of total spending worldwide. Ford is shifting from general university development, for which other donors are now available, to strengthening national capabilities of developing countries in educational planning, administration, governance, and research – a kind of assistance that governments find it hard to accept from other governments.

4. They are focusing on new approaches not yet ripe for large-scale public support: Rockefeller is working on new public health problems created or intensified by development. Ford is involved in an effort to make public corporations in Indonesia and Tanzania work better. The International Legal Center, originally funded by Ford, has added development law to development economics as a subject for foundation concern.

Both the foundations and the voluntary agencies are aware that they are living in a period of declining public spending, which creates a quantitative gap they cannot hope to fill with their own resources. Thus far both of them appear to be working more closely with public agencies than with each other, but this may be because the voluntary agencies are just in the process of shifting to greater emphasis on development assistance.

Foundation funds for development assistance tend to go to foundation field staff and to universities and independent research institutions in the U.S. and overseas. Some grants are made directly to foreign governments. Exceptions include a Ford Foundation two-year $73,000 grant to the League of Women Voters Overseas Education Fund for "strengthening women's organizations" in Indonesia, a Ford Foundation grant of $153,000 to the International Press Institute in Zurich for "training of African journalists," and a Rockefeller Foundation $15,000 grant to Travelers' Aid International Social Service of America for a "tribune" or nongovernmental organization assembly in connection with the Bucharest World Population Conference in August 1974. The Rockefeller Foundation continues to make large numbers of fellowship awards to nationals of developing countries for study in the United States, in third countries, or in regional centers in the developing areas, and its conference center at Bellagio is a major resource in convening international groups, including public and private representatives, in a neutral (and attractive) setting.

A new dimension of foundation activity in the last few years is what is described as "program-related investment" of foundation assets. The Clark Foundation, for example, is presently examining ways to carry out such a program.

Why Private Foreign Aid?

Given the fact that public spending for foreign aid still so vastly overshadows private spending, the question needs to be asked whether continued private spending is justified, and if so, at what level? As indicated above, private institutions have adapted their programs to this disparity, but the question remains whether foundations should continue major foreign aid programs, whether private membership organizations should continue spending on such programs, and even whether private voluntary agencies wholly devoted to overseas activities should continue to solicit funds, rather than subsisting entirely on government grants and contracts.

Some of these questions are academic. Voluntary efforts have been part of the American ethos at least since Tocqueville's time, and are likely to remain so. Private voluntary organizations are not likely to abandon their own fund raising, and national membership organizations are not likely to abandon their ties with the developing world, as those ties are strengthened even by modest contributions. But the questions serve to bring out the arguments pro and con on private funding.

At the same time, the flexibility and the increased availability of expertise that government (and public international organizations) can obtain by drawing on private resources through contracts, grants, and even core support, enormously increases the efficiency and effectiveness of public sector operations, as it does in almost every field of public activity. Universities and research institutes, private voluntary agencies and service organizations like the Volunteers In Technical

Assistance provide the critical mass of professional manpower and organizational expertise to carry out publicly as well as privately sponsored programs.

The traditional justification for private philanthropy in areas of public activity rests on the virtues of pluralism. The concept of pluralism can be broken down into three elements here: simply increasing choices, offering a counterweight to existing points of view, and increasing the opportunity for new initiatives.

When there is a variety of funding sources, the proponents of a particular program have more potential sponsors to approach, and since the funding source will inevitably affect the character of the program, a wider range of funding sources means a wider range of program content as well as greater opportunity for any particular program to be funded. No single government agency or inter-agency committee will have a monopoly of decision. In a subject-matter area that is still as experimental as development assistance, a wide range of programs seems highly desirable. At the same time, potential sponsors have a wider range of choice among agencies to carry out projects, if there are several private institutions (with the independence that accompanies independent core funding) from which they can choose.

Pluralism means not only more choices; it also allows for a counterweight function. When a particular point of view is dominant in the development assistance community, private funding permits counterviews to be aired. When the primacy of literacy training was being stressed by a number of supranational agencies, the World Bank and UNICEF were able to ask the International Council for Educational Development, a private organization with a multinational board, to take an independent look at literacy programs in the context of larger programs of educational development. And if the World Bank had not financed such a study, a private foundation might have done so, or the council might perhaps even have financed a study out of its core budget.

Lastly, pluralism specifically encourages new initiatives. Private funding sources may or may not be more responsive to new ideas. Government tends to wait for the development of a public constituency for a new idea, and to be put off by an active veto group; and foundations, since they have no popular constituencies, also tend to be generally cautious. But the existence of a variety of sources statistically increases the probability that a new idea will get a favorable hearing, and the historical fact is that Rockefeller and Ford pioneered in the two key fields of population control and increasing crop yields in developing countries, as Carnegie did in area studies, before the U.S. government was ready or able to do so. If it is a fair test of the success of new private initiatives whether they are later incorporated into public policy, then foundation initiatives in development assistance get high marks.

But private funding not only brings to bear the advantages of pluralism; it also has certain inherent advantages, at least in situations where it can complement public funding of foreign aid, and particularly of development assistance.[13] Private funding can denationalize, it can desensitize, it can criticize, it can mobilize, and it can legitimize.

- As the developing countries come to take an increasing pride in themselves as national entities, they are increasingly resistant to offers of help from other national entities, and even from public international organizations. They are likely to be particularly resistant when the help comes in the form of advice on how to do things better, rather than in the form of direct relief, or capital grants. One experienced professional has suggested that funding sources can be arranged in increasing order of neutrality, beginning with the U.S. AID agency, then the World Bank or the UNDP, then the Rockefeller Foundation, and even higher on the scale, The Ford Foundation – because it is not associated with a political name. The concept of denationalizing extends to international organizations as well: the "tribune" of nongovernmental organizations (funded in part by the Rockefeller

Foundation) at the Bucharest world population conference in August 1974 complemented the work of the official delegations to the conference in ways those delegations could not accomplish.

- McGeorge Bundy in his 1972 annual report as president of The Ford Foundation observed: "... our welcome in sensitive areas often derives from the fact that we are not a government."[14] Private funding sources are able to attack sensitive problems with less resistance from most governments than those governments would exhibit to public funding proposals. To take a European example, a (private) German-American binational commission on admissions to higher education is acceptable in Germany, in part because it is funded from a private source – and in that case from a German foundation – and in part because arrangements have been worked out through the International Council on Educational Development as a neutral private international agency. In another instance, The Ford Foundation gave $20,000 to the American Society of Newspaper Editors for a visit to the United States by Chinese newspaper editors, where government funding might have been unacceptable to the Chinese – or to the ASNE.

- Public funding for public criticism is sometimes difficult to come by and may turn out to have invisible strings attached to it. A private organization, Worldwatch, has been created, with foundation funds, to complement the work of the Food and Agricultural Organization on world agricultural production and prospects because the FAO can only compile official reports from member countries, some of which are unwilling to reveal actual conditions of crop failure and famine. Even a quasi-public organization like the International Union for the Conservation of Nature (IUCN) is unable to speak out on control of whaling because of pressure from some of the governments represented in its membership. This critical function is perhaps a special case of the counterweight function discussed above. Again as McGeorge Bundy has pointed out, "In an open society, the more a major field is reserved to governmental *action*, the greater the need for serious nongovernmental *attention* to that field."[15]

- Private funding, and particularly private funding through voluntary agencies, gives scope to the individual charitable impulse. The expression of this impulse, in turn, mobilizes popular sentiment for the objects of charity. The donor, by making the contribution, develops a stake in the matter. The eventual assumption of responsibility by a public funding source may therefore be a function of the interest developed through private contributions. U.S. private voluntary agencies can also stimulate the development of the private voluntary sector in host countries. The process also works in the opposite direction; when public funding and government manpower is reduced, private voluntary agencies may be able to pick up some of the slack. In 1973 there were 56 U.S. AID missions covering 61 countries, while there were over 80 private voluntary agencies working in over 130 countries and areas.[16]

- Government-to-government development assistance was from the outset called "technical assistance" in order to avoid any implication that the developed world was telling the developing world, and particularly their former colonies, how to shape their social and cultural development. But the developing countries need and can use outside help in shaping their societies not as carbon copies of the developed world, complete with rock music and Coca-Cola advertisements, but as distinctive social and cultural entities. By and large, that kind of help will only be legitimized if it comes through private agencies or entities, privately funded. Whether it is assistance in shaping the goals of primary and secondary education, or the long-range priorities underlying the national budget projections, or the techniques to record and preserve indigenous music and dance, this kind of assistance is most willingly received from the private sector. Private voluntary agencies can work more closely and more easily with the emerging network of private voluntary agencies in the developing countries. As it was put in an internal Ford Foundation memo, "the private foreign aid sector has with rare exceptions. . . found itself most appropriate to be concerned with the broad texture of relations between the United States society and societies in other parts of the world, not in the narrower concerns of governments as such."

There may be instances, on the other hand, where a public funding source will legitimize an activity, in the eyes of the host country, and where that activity would not be legitimized by private funding – as in the case of the exchange of scholars with the Soviet Union.

Government can also destroy the legitimacy of private foreign aid enterprises, as it has done in the past by covert assistance to ostensibly independent private groups. Covert CIA funding of the National Student Association during the 1950s and early 1960s is the most well-known case in point. Maintaining the effectiveness of private institutions in this area depends in part, therefore, on the willingness of government to avoid muddying the well.

The question of legitimacy has an additional dimension: when private assistance to citizens of a particular foreign nation is in contravention of the foreign policy of the United States, should it be permitted? The short answer is that under appropriate circumstances such assistance can be and has been subjected to appropriate controls. Cases in point are North Korea, Cuba, and North Vietnam.

But there may be situations where the U.S. government might prefer that assistance should not be extended by private organizations in the United States, either because such assistance might make it appear that the United States was "tilting" in favor of the country receiving the private aid, or because the government of that country could use the availability of private foreign aid welfare services to reduce its own spending for those services in favor of, say, military or internal security appropriations.

Neither of these hypothetical situations seems to provide reasonable grounds for restricting private foreign aid activities. In the first situation, experienced foreign observers are aware of the pluralistic nature of American society; the errors of inexperienced foreign observers are part of the price we pay for maintaining that pluralism. The effort involved in trying to make a series of official determinations as to what countries at what times are appropriate objects of the private bounty of U.S. citizens would seem to be self-defeating – and would also attach more public significance to private aid when it was given. What if a government decision was taken *not* to exclude Transylvania from the approved list, and then there were no private contributors? What would foreign observers conclude at that point?

In the second situation, the argument against private foreign aid proves too much. Because private contributions from external sources for one purpose increase the total resources available in a foreign country, the increase can always be used as an excuse by governments to shift internal funds to another purpose. A maintenance-of-efforts clause would be impossible to enforce (or even to calibrate) when dealing with private contributions across national boundaries.[17] Unless one is prepared to write off private contributions entirely, with all their advantages described above, one must accept the possibility that external contributions of resources may result in some shifts in the allocation of internal resources.

There are two further criteria on which the performance of the private and public sectors can be compared – quality and efficiency – and the results of the comparison are ambiguous. The performance of the major private foundations measures up at least to the standard of U.S. and international public agencies – and perhaps more so when one considers consistency over time. The record of the private voluntary agencies is spottier, although the requirements for registration with AID, in order to obtain benefits such as access to P.L. 480 food, and ocean freight reimbursement for relief supplies, and other commodities helps in some ways to maintain standards.[18] Increasing national and international coordination of disaster and refugee relief efforts, as described above, is helpful. To the extent that the voluntary agencies are becoming partners of government in development assistance, their standards of performance are being meshed with government standards. What is sacrificed in crude efficiency by involving a multitude of independent organizations seems at least made up by gains in flexibility and accumulated institutional expertise.[19]

It remains to be pointed out that if public spending on foreign aid continues to decline, the foundations and the voluntary agencies will both have to reassess drastically their responsibilities and their programs. Whatever they do, it is unlikely that they will decide voluntarily to reduce the level of their efforts.

The Legal Issues

While the principal issues affecting private foreign aid go to levels of spending, both public and private, and use of private instrumentalities by public agencies, there are several questions of law that need to be examined. The first one turns out on examination to be a non-issue, the second one boils down to a technicality, which might still be worth straightening out, while the third one involves what seems a clear inconsistency in the Internal Revenue Code. A fourth issue is briefly covered below.

1. It is sometimes suggested that the Logan Act,[20] enacted in the infancy of the Republic to discourage private meddling in United States foreign policy, may be some kind of impediment to private foreign aid activities. A reading of the text,[21] together with the very sparse case law, makes it quite clear that the act has no application to the kinds of programs and activities that we have been discussing.

2. The tax laws pose what appears on first examination to be a serious obstacle to the deductibility of corporate contributions to international affairs activities, and particularly to private foreign aid. When the 1935 revision of the Internal Revenue Code for the first time authorized the deductibility of charitable contributions by business corporations, the law provided that "a contribution to a trust chest, fund, or foundation shall be deductible . . . only if it is to be used within the United States or any of its possessions,"[22] since the rationale for the deduction was that "a corporation has not only a right but a duty to be a good neighbor in the town in which its own employees live."[23] But a 1969 Internal Revenue Ruling interpreted the restrictive language of the Code as inapplicable "to deductions by a corporation for charitable contributions to a domestic charitable *corporation* [emphasis in original]"[24] even if the domestic charitable corporation used the contribution outside the United States, and even if it was also a foundation. Thus the effect of the statutory provision has been substantially vitiated, except as a trap for the unwary, since a corporate contribution to a charitable organization that was in form not a corporation would not be deductible if the funds were used outside the United States. In any general revision of the Code, it might be useful to clean up this inconsistency, and explicitly to permit corporations the same latitude in their charitable giving that is permitted to individuals.

3. As compared with the provisions for corporate charitable contributions, the Code provisions for the deductibility of charitable gifts by individuals contain a real, and illogical, inconsistency. Inter vivos gifts are deductible so long as they are made to an organization created or organized in the United States (wherever it may be operating).[25] But there is no such requirement for charitable bequests; the gift is deductible if it is made for charitable purposes, without geographical limitation.[26]

There is no apparent justification for the more lenient treatment of bequests, and indeed the policy argument in favor of limiting the deduction to contributions to organizations subject to some form of U.S. government supervision as to their bona fides seems equally applicable to bequests as to life-time gifts, especially since the recipient organization is free in both situations to spend its funds abroad for purposes within the federal statutory scheme. It might be argued that one-time bequests are easier to review for conformity to the requirement of charitable purpose than recurrent life-time gifts, but the difference does not seem to be great enough to warrant the distinction in the statute. The requirement that deductibility of charitable contributions be limited to gifts to organizations with a sufficient U.S. base to qualify for 501(c)(3) status should probably be extended to bequests.

Some minor problems have also arisen as to the deductibility of so-called "conduit" contributions to U.S. domestic organizations for the benefit of foreign organizations, but the situation seems adequately clarified by a pair of Revenue Rulings, issued in 1963 and 1966, which make it clear that the contribution is deductible so long as the domestic organization makes an independent determination of the purpose for which the funds are to be used by the foreign organization, even if the determination is made in advance of the solicitation of funds.[27] Further clarification or liberalization does not seem necessary or desirable at this time.

In addition to these three issues, the Advisory Committee on Voluntary Foreign Aid has pointed out that section 170(e) of the 1969 act, limiting deductions for in-kind contributions to the cost value of the donation rather than its fair market price, has had a "severe" impact on in-kind contributions to overseas voluntary programs.[28] This impact seems a simple case of justifiable but adverse change in the tax laws governing charitable contributions having at least a transitional negative impact. Given the potential for abuse of the previous situation, however, it would be difficult if not impossible to justify a return to it.

Bills have been introduced, but so far unsuccessfully, to allow a deduction for ordinary income property equal to cost plus half the difference between cost and fair market value, conditioned on the recipient organization certifying that the property will be used for its charitable purposes before the end of the following year. While this proposal should avoid dumping of surplus goods through a recipient organization, it is not clear that half the normal profit margin can be justified if the full margin cannot.

II

INTERNATIONAL AFFAIRS EDUCATION AND RESEARCH

All Americans have a need to know about the global aspects of the major problems that concern us as citizens, in a world where the global aspects of these problems are increasingly important. Many Americans have a need to prepare themselves to deal professionally with foreign languages and areas and with the interrelationships between other societies and economies and our own. And a number of Americans have important contributions to make to the better understanding of these relationships and to the resolution of conflicts and potential conflicts in international affairs. Again, this kind of activity tends more and more to be indistinguishable from the common efforts, across international boundaries, to attack domestic problems that are replicated in other countries – particularly where the domestic consequences of these problems tend to have international repercussions, and vice versa, as is more and more often true.

Education and research in these areas is accomplished primarily in colleges and universities but also in independent research institutions, both general and specialized to international affairs: in world affairs councils and other organizations, national and local, devoted to educating the general public and keeping the professionals and private decision makers up to date; in organizations devoted to education (and often also to research) on specific international issues, such as trade and investment, arms control, or the problems of a particular country or area; in independent organizations devoted to the management and facilitation of student exchange programs; and, in educational programs conducted by general civic organizations like Rotary and Kiwanis.

Unlike foreign aid, education and research in foreign affairs is principally supported out of private contributions, out of contributions from individuals and foundations, and out of the general fund budgets of colleges and universities. There is an evident overlap between these activities and the activities described in the first section of this paper. Foreign language and area programs, for example, can help prepare foreign aid professionals, and discover new ways of dealing with developing world problems.

University Programs

Education in international affairs, broadly conceived, is as old as the university. But the intensive study of foreign languages and areas, and particularly of non-European languages and areas, expanded rapidly, beginning in the late fifties and early sixties, under the dual stimuli of the National Defense Education Act of 1958 (responding in turn to the post-Sputnik shock) and the interest of the major foundations. Area studies programs attempt to restore a measure of equilibrium to the American educational experience by providing data from other cultures, and supplying descriptions, analysis, and interpretations of other economic, political, and social systems. During the earlier period of foreign area studies programs, there were few programs, mostly graduate, and these were concentrated at major universities. Hard on the heels of language and area studies came university centers (or institutes) for international affairs (or international studies), of which 97 were established between 1960 and 1969.[29] These institutions operate almost entirely on soft money, from foundations and government grants and contracts. (See Table 6 for a breakdown of number of area courses by discipline and area of concentration.)

At the same time, student and faculty exchanges became a significant feature of the university landscape. The Mutual Educational and Cultural Exchange Act of 1946 created a new generation of wandering scholars, the Fulbright scholars, from graduate students to senior faculty members; and charter air flights plus the post-war affluence made it possible for a new generation of students to take the Grand Tour, now extended to include at least North Africa and South Asia. Foreign students also flocked to the United States in increasing numbers, for graduate and undergraduate study, requiring a new apparatus of advisory services and putting some additional strain on the financial aid resources of U.S. colleges and universities, although a third of the foreign visitors have been able to pay their own way.[30] Sources of financial support of foreign students appears in Table 7; a tabulation of the flow of exchange visitors to and from the United States appears in Tables 8 and 9.

Two more strands were added to the pattern of international activities of the universities during the sixties: a growing interest in multinational business activity, appearing in the curricula and research programs of schools of business administration and management,[31] and a growing awareness of the international dimension of domestic problems, from the management of scarce resources to a better understanding of our cultural evolution, resulting in new curricular

Table 6

Number of Area Courses By Discipline and Area of Concentration

	Latin America	East Europe	Middle East	Africa	East Asia	South-east Asia	South Asia
Art	48	17	61	25	148	23	30
Drama	1	2	3	2	15	2	6
Music	25	11	7	22	31	27	13
Philosophy	2	12	27	1	34	19	26
Religion	-	5	79	3	56	12	50
Humanities	76	47	177	53	284	83	125
History	410	396	319	111	499	82	120
Archaeology	5	-	19	-	5	-	2
Historical	415	396	338	111	504	82	122
Language & Literature	749	730	333	49	386	26	52
Linguistics	35	143	39	22	84	18	15
Language-related	784	873	372	71	470	44	67
Geography	73	52	35	38	30	16	22
Anthropology	251	39	69	101	79	35	81
Demography	1	-	1	-	1	-	2
Economics	166	118	50	39	56	19	47
Political Science	214	257	109	85	232	59	91
Psychology	1	-	-	2	-	-	-
Sociology	67	32	23	43	35	17	43
Criminology	-	-	-	-	-	-	-
Urban Studies	6	1	-	-	-	-	-
Social Sciences	779	499	287	308	433	146	286
Education	55	10	5	25	11	13	11
Other applied & prof.	89	13	13	12	10	5	7
All applied & prof.	144	23	18	37	21	18	18
Area studies & non-disc.	77	51	65	10	88	67	21
Total	2,275	1,889	1,257	590	1,800	440	639

Source: *FAR Horizons*, Summer 1973.

developments like the Global Survival Studies at the University of Massachusetts and new research endeavors,[32] often dependent on soft funds from outside the university.

The high point in university activities was probably reached in the late sixties, and was signalled by the passage of the International Education Act of 1966, which was intended to broaden further the support for education and research in international affairs, both within and outside the universities. The International Education Act has never been funded by the Congress, however, (although the

Table 7

Sources of Support of Foreign Students, 1973-1974

Type of Support	U	G	O	Total	%
Self-Supporting	20,562	10,564	1,162	32,288	21.4
U.S. Institution	3,851	7,426	161	11,438	7.6
Private Organization	1,911	2,515	228	4,654	3.1
Foreign Government	1,368	1,788	143	3,299	2.2
U.S. Government	477	1,363	73	1,913	1.3
U.S. Government and U.S. Institution	223	185	8	416	0.3
Foreign Government and U.S. Institution	141	226	6	373	0.2
U.S. Institution and Private Organization	149	213	6	369	0.2
Foreign Government and Private Organization	38	55	3	96	0.1
U.S. Government and Private Organization	27	65	2	94	0.1
Support Not Known	48,200	37,493	10,433	96,126	63.6

Total 151,066

Undergraduates	76,946	50.9%
Graduates	61,893	41.0%
*Others	12,227	8.1%

*"Special" students and no answer to question on academic status.

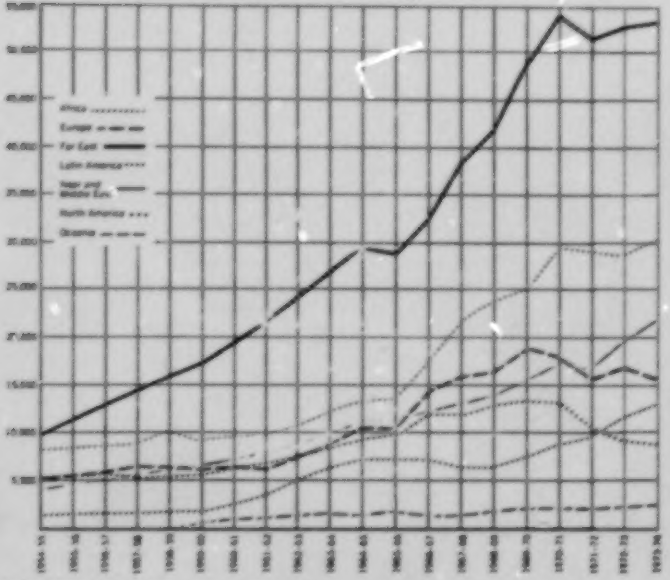
Sources of Support

There was no answer concerning the source of support of 64 per cent of the students reported in the survey, up from 44 per cent nonresponses last year. Of the respondents, the largest proportion, as always, were self-supporting—that is, dependent upon their own or their families' resources. Twenty-one per cent were in this category. U.S. colleges and universities provided whole or partial support for 8 per cent. Private organizations provided whole or partial support for 3 percent, and foreign governments (almost invariably of the students' own countries) provided whole or partial support for 2 per cent. Again, the increased use of lists and printouts in providing census information accounts for the high nonresponse to this question.

Open Doors 1974, Institute of International Education, p. 7

Table 8

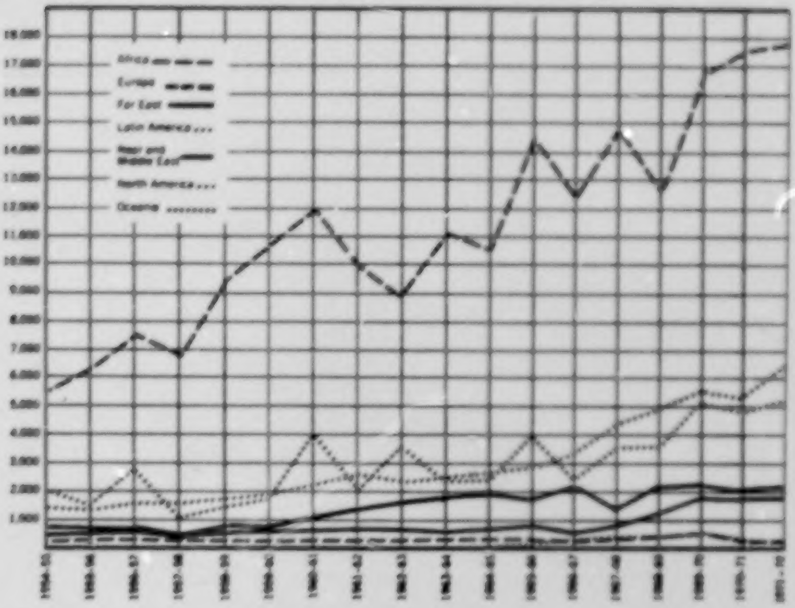
Foreign Students in the U.S., 1954-1974



Source: Open Doors 1974, Report on International Exchange, Institute of International Education, p. 8

Table 9

U.S. Students Abroad 1954-1972



Source: *Open Doors 1973, Report on International Exchange*, Institute of International Education, p. 11.

Table 10

Foundation Grants for All International Activities and Education and Studies in Relation to Total Annual Foundation Grants, 1966-1973

($10,000 or more)

Year	Total Annual Foundation Grants	Grants for All International Activities	Grants for International Education and Studies	% Foundation Grants to International Education & Studies
		(in millions of dollars)		Percent
1966	$661	$141	$91.3	13.8%
1967	579	64	34.5	5.9
1968	753	93	45.9	6.1
1969	677	75	29.5	4.4
1970	793	59	29.2	3.7
1971	1,066	106	45.9	4.3
1972	769	95	45.7	5.9
1973	715	66	27.0	3.7

Prepared by Sandra K. Meagher, Institute of International Education.

authorization was renewed in 1973 for three years) and prospects for its funding are apparently dimmer than ever. But in anticipation of its funding, the foundations (primarily Ford) cut back on their support for international education and studies, which declined between 1966 and 1971 from $91.3 million to $45.9 million in absolute figures, and from 13.8 percent of total foundation grants to 4.3 percent. (See Table 10.)

Since the sixties, the picture has been a mixed one. The loss of private support has been exacerbated by a cut in public funding under Title VI of NDEA, from an $18 million annual level in FY 1969 to a $12.7 million level in FY 1974, although it rose slightly to $14 million in FY 1975 after the Congress refused to approve a $4 million rescission proposed by President Ford. NDEA support averages only 10 percent of the budgets of language and area programs, but it is often a critical 10 percent. An abortive proposal to restore the previous level of federal funding through a proposed $100 million Institute of Higher Education failed when the underlying proposal never got off the ground. On the other hand, public funding from new or expanded sources, including the international activities of the National Endowment for the Humanities, the Social Science Division of the National Science Foundation, the Smithsonian Institution, and the Library of Congress, has probably more than made up for the decrease in Title VI appropriations, although no breakdown of actual funding of international affairs activities from those sources is available.

Student interest in overseas study programs seems to be holding up, although some smaller programs have been terminated, apparently more for reasons of general belt-tightening within the university community than for lack of applications. Faculty interest and activity has apparently continued to increase, as measured, for example, by the enormous growth of membership in the International Studies Association and the various regional professional associations.

The scope of the universities' responsibilities in international affairs education and research is in the process of redefinition, or re-conceptualizing, through a three-year project initiated by the American Council on Education under a Ford Foundation grant, apparently intended to help the universities reassess their functions in this field and identify new sources of support. The assignments of the six task forces created to carry out the project indicate how the council, as the principal spokesman for the entire higher education community, sees the job. The task forces deal with (1) building language and area competence; (2) maintenance of overseas skills for U.S. professionals who have returned to the United States; (3) organizing and funding transnational collaborative resources, for example, energy policy, public health; (4) diffusion of knowledge about international affairs, for example, through university extension, primary and high school programs; (5) the status of research resource libraries in international affairs, for example, duplication, gaps, regional centers, the systematic use of travel instead of replicating specialized holdings; and (6) professional education in a world of multi-national activities, for example, business, law, engineering, and including mid-career training.

Significantly, the reports of these task forces are being or will be reviewed by a government-academic interface committee, including representatives of a wide range of government agencies, from State and Defense to Agriculture, HEW, The Library of Congress, and the Smithsonian Institution. This range foreshadows a shift in support for university activities in international affairs from a few agencies to many.

Pending the report of the American Council study, there are three conclusions about the university roles and its sources of support that can be drawn at this time:

1. The role of the university in international affairs education and research is essential, extensive, and unlikely to diminish. The significance of this role extends to crosscultural education involving ethnic groups in the United States.

2. Public (that is, federal) support for the university's role is essential, extensive, and unlikely to increase sufficiently to cover more than a fraction of the cost of these activities.

3. In a period of shrinking university enrollments and fixed or shrinking budgets, it will be increasingly difficult to support international affairs activities out of university core budgets, so that outside private financing will continue to be an important source of support for these activities.

Independent Research Institutions

Research in international affairs, like domestic affairs research, has expanded significantly beyond the university walls in the last thirty years. The immediate aftermath of World War II saw the organization of the first systematic peace-time intelligence service in the United States, The Central Intelligence Agency, and the great bulk of the CIA's work since then has consisted of so-called overt intelligence collection, or essentially the same kind of research about foreign societies that goes on in a university setting.

The three military departments each managed to establish a special relationship with an independent private research organization (in addition to conducting a certain amount of in-house research on policy issues). But the Navy's relationship with the Institute for Naval Analyses, the Air Force's relationship with the RAND Corporation, and the Army's relationship with the Research and Analysis Corporation, has in each case made the outside organization so heavily dependent on the government for contract support that its substantive independence has from time to time been somewhat impaired. The State Department organized its Bureau of Intelligence and Research in 1945, and, unlike the CIA, conducts some of its research through contracts with universities and other outside agencies, as indicated in Tables 11 and 12. In 1971 the Undersecretaries Committee of the National Security Council was established within the NSC structure to coordinate external research on foreign affairs supported by departments and agencies of the Executive Branch.

Table 11

Department of State External Research Program

Year	Funding
1969	$125,000
1970	125,000
1971	444,513
1972	914,261
1973	655,743
1974	840,430
1975	758,853

Another category of non-university research organization in international affairs has either been largely dependent on government contract support, plus some foundation support, as in the case of the Hudson Institute, or the institutions have been supported primarily out of their own endowments, as in the case of the Carnegie Endowment for International Peace or the Brookings Institution, which devotes a major fraction of its work and budget to foreign affairs. The total amount of resources involved here is quite small, but the influence of the work done is disproportionate, perhaps because the effort involved in maintaining an independent institution of this kind is so great that, to paraphrase the motto on the California State Capital, the cowards never start and the weak ones die by the way.

Still another kind of organization is essentially a hybrid, of which the prototype is the Council on Foreign Relations, headquartered in New York City, or the (organizationally unrelated) Chicago Council on Foreign Relations. Both organizations were launched in the wake of the defeat of the League of Nations Treaty in the United States Senate, in the conviction that the American public, or at least the leaders of public opinion, needed to be educated in order to avoid a repetition of what the two councils' founders considered a major national and international catastrophe. Both were established as membership organizations, and in that capacity they are discussed under the next heading below. But almost from the

Table 12

Selected List: External Research Contract Program FY 1974 and FY 1975

Major Projects	Contractor
Techniques for the Analysis of Regional and Global Interdependence	Massachusetts Institute of Technology
Selected Mid-Term Problems in U.S. Foreign Policy	Dartmouth College/National Planning Association
Selected Studies of U.S.-Soviet Relations	Harvard/Yale Universities
Stability and Instability of the Soviet System	Columbia University
Management of Hostage Situations*	RAND Corporation
Legal Aspects of International Terrorism*	American Society of International Law
Patterns of Law Enforcement in the Oceans	University of Washington
International Disaster Relief: The Sahelian Experience*	University of Denver
U.S.-Japanese Political and Military Relations	California Institute of Technology
Bibliographic Aids to Research on Contemporary China	University of Michigan
Impact of U.S. Direct Foreign Investment on Domestic Unemployment	Cornell University
Medium Term Ability of Oil Producing Countries to Absorb Real Goods & Services*	CACI, INC.-Federal
Monetary and Trade Arrangements Over the Next Decade*	University of Chicago
U.S. Adjustment to a New World Economic Order*	University of Pittsburgh
National Efforts to Export Inflation: The Economics and Politics of International Economic Conflict*	Brookings Institution

*Funded in part by one or more other U.S. Government agencies.

Suggested by E. Raymond Platig, Director, Office of External Research.

outset they also included a research component, in which scholars on the council staff, or recruited for specific projects, conducted studies and produced monographs and books, generally with the advice of committees of council members who might be able to add some practical expertise to the scholarship.

Again the volume of work involved here has been very small, but, perhaps because of the prestige of the organizations and of the standards of quality that they maintained, it has been reasonably influential. And the focus of energy within both organizations has in recent years been shifting more and more to organized scholarship from less systematic activities like speakers' programs and discussion meetings. This has in turn produced a requirement for funding that is well beyond the means of the councils' membership, and has led them to turn to the foundations, and to some extent to business corporations, for project support. Whether this support will be forthcoming in adequate amounts (and with appropriate buffering) will in large part determine whether the energies of this kind of organization can be effectively projected in the area of detailed policy formulations of foreign affairs issues. But precisely because their primary concerns, and indeed a good deal of their reasons for existence, are deeply involved with the policy-making process, and hence their independence is essential to their functioning, they tend to rely more on the private than on the public sector for outside support, and this support encourages the continuing flow of vigorous and informed opinion from the outer world into the council chambers of government.

The research community has also expanded to include reasonably well-funded agencies that at least adopt a research format (and sometimes demonstrate sufficient intellectual probity to deserve that classification) but that are frankly (or in any event, clearly) ideologically oriented. They include groups with a narrow focus, for example, the Center for Defense Information which, headed by a former admiral, undertakes studies designed to support major cuts in military expenditures. Others have much broader objectives, for example, the Institute for World Order, which has gathered nine national groups of scholars, operating in very different cultural and legal traditions. Each, taking off from Clark and Sohn's monumental *World Peace Through World Law*, is developing its own proposals for world order. Such agencies cover the political spectrum, from those operating from an amalgam of Marxist/New Left/counter-culture assumptions (the Institute for Policy Studies, for example) to the American Enterprise Institute, in part a response to the recent increase in centers operating within the above perspective. To these must be added research departments of many independent voluntary organizations, such as the American Jewish Committee, which researches and publishes on Middle East problems; the International Peace Academy, on problems of U.N. peacekeeping; the United Nations Association Policy Studies Department; AFL-CIO and UAW publications on international economic problems.[33]

While such activity usually depends on support from individual wealthy donors, a number of foundations (among them, Laras, Kaplan, Lilly) have helped to fund such work. A 1972 UNESCO study of research centers focused on international conflict resolution listed 149 centers, most located in the United States, many based outside the university or supported by other than university funding.

Foundation support also extends to policy research institutions abroad, for example, the International Institute for Strategic Studies which was launched with a Ford Foundation subsidy, and to international gatherings convened to consider public policy problems, for example, the recent conference of academic economists and treasury officials from a number of countries convened, also with Ford Foundation support, to examine the problem of international exchange rates.

International Affairs Education Outside the University

The Council on Foreign Relations, as indicated above, is also a prototype of the institutions, outside the universities, devoted to international affairs education in the United States. It has a membership, by invitation, of some 1,800 international affairs professionals and other influential citizens with some special interest in international affairs, divided approximately equally between residents of the New York area and non-residents, most of them living in the Boston-Washington corridor. It offers off-the-record meetings with distinguished American and foreign statesmen, and more intensive (and extensive) discussion groups on topics of current interest. Its dues are relatively high ($450 for resident non-academic members over 40, scaled down proportionately for other categories), and most of its membership is relatively inactive. It has affiliates, much smaller but also organized on an invitational membership basis and conducting similar programs, in some 36 cities.

It is only one prototype, however. Another prototype, in education as well as in research, is the Chicago Council on Foreign Relations, which has an open membership of some 24,000 in the Chicago area, for whom it conducts a wide range of activities: lectures, films, foreign travel programs, and so forth. Within its overall membership there are several much smaller invitational groups which bring together the leadership of the community for off-the-record meetings, not unlike the

Table 13

International Affairs Education Outside the University, Principal Organizations

		Source of Support				
	1972 Budget	Business	Foundations	Government	Individuals	Other
The Asia Society	$2,000,000	4%	76%	0%	20%	-
The African-American Institute	5,466,322	7.6	66.8		24.6	1%
Center for Inter-American Relations	520,000					
Japan Society	925,000	16	54	0	30	-
National Committee for U.S.-China Relations	360,000(1973)	1.7	81.1	0	17.2	-
U.N. Association of U.S.A.		38.5	38.5	0	0	-
Business Council for International Understanding		100	-	-	-	-
Foreign Policy Association		55	20	0	25	-
American Friends of the Middle East	473,958	37.5	25	33.3	4.2	-
Atlantic Council of the U.S.		37	35	0	20	
		40	40	-	30	1

meetings of the council in New York, on international affairs issues. Two of these groups are continuing, others are ad hoc on particular issues. They are all self-supporting, with their own dues structure. Dues of the general membership support activities other than research, which amount to 50-60 percent of the current budget of some $3 million. There is a core staff of 20 to 30 persons.

Most councils on this model are considerably smaller than the Chicago Council, but otherwise they are not dissimilar. Their national roster is limited to some 63 cities, primarily on the eastern and western seaboards. With the growing involvement of the business, professional, and scientific communities outside New York and Washington in international affairs, however, the reach and influence of local organizations of this kind is increasing, as community leaders take a greater interest in their subject matter – and as local financing, from individuals and business corporations, increases along with increasing activity. Discussions in some communities of possible mergers between business associations promoting international trade and private organizations promoting research and education in international affairs are a straw in the wind.

A different and much more serious problem arises with national educational programs in international affairs. Here the prototype is and has been for some time the Foreign Policy Association, which prepares and provides educational materials for local groups, primarily their Great Decisions series, which is distributed from the national office and through regional representatives. It also prepares radio and television programs and materials for use in primary and secondary schools. Formally a membership organization, the FPA still solicits annual contributions from individuals and corporations, which provide about half its revenues, 40 percent coming from sale of materials and 10 percent from foundations. Foundation support has dropped off substantially in the last 8 years, and FPA has cut back its staff by 75 percent, although it is handling a higher volume of participants in its programs than previously.

Other organizations operating on the FPA pattern include the United Nations Association of the United States, The Overseas Development Council, and a number of somewhat more specialized groups like the Asia Society, the African-American Institute, the Atlantic Council, the English Speaking Union, and the Center for Inter-American Relations (although the last-named organization operates more on the model of the Council on Foreign Relations). Here, too, there has been an explosion of new national groups engaged in educational programs that reach across the country. Some are focused on problem areas (for example, human rights in world perspective: Amnesty International; or development programs: American Freedom from Hunger Foundation or Bread for the World); some on international conflict and global problems (the World Without War Council, the Fund for Peace); some on bringing such activity to bear on specialized audiences (secondary education: the Center for War/Peace Studies and Global Development Studies of the Management Institute for National Development; higher education: Consortium on Peace Research, Education and Development and International Studies Association; religion: Council on Religion and International Affairs; science: the Federation of American Scientists). A selected list of principal organizations in this category, with their 1972 annual budgets and major sources of support, appears in Table 13.

The more specialized institutions in this general category blend by almost imperceptible degrees into another category of ad hoc organizations, those arising out of particular international crises (Bangladesh, Cyprus) or major policy shifts (the opening to China) and seeking to educate the American people on the policy problems involved. In their initiation these groups rely on individual sponsors for financial support, and as they become better established, if they do, they look for institutional sources of support in the foundations, in business, and occasionally in government research contracts. A case in point is the Ford Foundation 1970 multiyear grant of $250,000 for general support for the National Committee on U.S.-Chinese Relations. The importance here of the availability of private sector, and particularly of foundation, resources is that the potential for that support provides incentives for the sponsors of new organizations to work towards the stability and the effectiveness that might be rewarded with long-term institutional support.

There is also a grouping of organizations in the international affairs field organized to provide special services, often including an educational program. International House in New York is, for example, developing an ambitious program designed to reach their 50,000 alumni. Groups like the American Field Service, the Association for International Development, People to People, and Volunteers in Technical Assistance have a significant educational impact.

Lastly, there has been an increase in the number of million-member-or-more religious, economic, and civic organizations which have budgeted and staffed international affairs departments with mass media, leadership training, conference, research, and adult education, as well as "Washington office" components. A number of the more specialized organizations above have shifted from a membership focus to engaging the much more extensive communication channels of institutions such as the Episcopal Church, the American Association for the Advancement of Science, the National Education Association, or Rotary International.

The World Without War Council has recently gathered leaders of some 50 of the major stable national American organizations into an "International Conflict and American Organizations" project, which is undertaking, in cooperation with the Institute for Transnational Studies (University of Southern California), the first sophisticated inventory of groups now in the field. Computerized data on who in this universe of private organizations is addressing whom, about what, with what resource capabilities and with a base in what constituency, should be available by early 1976.

The survey does not include a considerable population of political organizations, groups without 501(c)(3) IRS status. Moreover, it deals only with relatively stable organizations. One outstanding characteristic of the field, however, is the constantly shifting pattern of local activity. In any given year, some 2,000 to 5,000 local groups are at work usually in relation to a "crisis" in American foreign policy. The draft, for example, gave rise to more than 1,000 local offices engaged in "draft counseling" but also in presenting a foreign policy perspective. More than 75 percent of these groups will have died within the next two years, but others will have taken their place. Such groups represent a considerable resource, but also a major problem, for those concerned with problems of public understanding and governmental policy.

Common Problems

There are two pairs of problems that are common to all the kinds of organizations discussed above, concerned as they are with the independent study of international affairs problems rather than with private involvement in international affairs operations. One pair of problems arises from the viewpoint of the funding source (whether private or public) and the other pair from the viewpoint of the recipient private organization or activity.

Since research and education share a fundamental prerequisite of objectivity, prospective funding sources must satisfy themselves that the organizations or activities they are proposing to support are pursuing the public interest rather than special private interest. Since concepts of the public interest can and do differ, the issue is not whether the organization has the right point of view, but whether its management and policy direction is in fact disinterested. The problem is more likely to arise with non-university-based activities and with specialized and ad hoc groups than with more general and permanent organizations, although most work in this field takes place within a stated or implicit judgmental framework and donors have more than once in recent years regretted looking to impeccable sponsorship rather than a serious exploration of the perspective in which work is undertaken. To the extent that the public interest in objectivity is involved, through the deductibility of contributions, it is in part protected by the provisions of the Internal Revenue Code and the Regulations dealing with propaganda versus education. But there is also a public interest in diversity of opinion that can only be protected by the energy and vigilance of donors and prospective donors in seeking out and supporting diverse research and educational ventures beyond the scope of activities that public funds can be expected to support.

Since what is involved here is both the exploration and the dissemination of ideas about international affairs, donors and prospective donors have a dual problem of quality control: to assure both the carefulness of the research and the adequate dissemination of the results. By and large, the universities tend to put more emphasis on dissemination. As Dr. John Knowles, president of the Rockefeller Foundation, put it in an interview, the foundations have to be more rigorous with the universities about their dissemination plans and more rigorous with the outside organization about their research designs.

From the viewpoint of the donee, on the other hand, he (or it) needs to be protected against two tendencies among institutional donors, both private and public. The first tendency has been referred to by Samuel Hayes, the retiring president of The Foreign Policy Association as "novomania," the overwhelming desire for novelty. Foundations in particular, he feels, although cautious, are (understandably) anxious to put their funds into new projects, at the expense of continuing support of ongoing, already established projects and of the core budgets of existing organizations. This is perhaps the most common complaint of fund raisers for private international affairs organizations and it applies with somewhat lesser force to government funding agencies as well. The problem is, of course, a general one for private nonprofit institutions, but it is more acute for international affairs organizations because they have no ready-made constituency of individual donors (unlike the private relief agencies), and they are not likely to have any endowments to fall back on.

The other major problem that these organizations share is that of insulating themselves from government policy pressures in their research and education activities, if they are recipients of government largesse. In this connection there have been proposals for a National Fund for Foreign Policy Education, along the lines of the National Science Foundation or the National Endowment for the Humanities. Such a fund would have an independent public board, and receive long-term funding from the Congress. In the light of congressional failure over the last eight years to fund the International Education Act of 1966, the proposal for an independent fund seems somewhat utopian. If the level of funding for Title VI of the National Defense Education Act can first be reestablished, however, a foreign policy education fund might have more appeal to the novomania of the Congress than funding the now unhappily somewhat shopworn International Education Act. Increased interest within the National Endowment for the Humanities in public education in this field is another possible way to increase funding.

Whatever positive developments occur in the expansion of public funding, however, it seems clear that private resources will continue to be needed to support education and research in international affairs. Private funding sources will be essential to preserve the independence of the private role in contributing to both the theoretical structures that underlie thinking about international affairs and the formulation of public policy. As the processes of research, discussion, and policy formulation are themselves increasingly internationalized, public institutions operating at the international level will inevitably lag behind the opportunities for constructive and innovative work. Private funding will be essential to ensure that those opportunities are not missed.

Footnotes

1. The total number of North American missionaries in 1911 accounted for one third of the entire Protestant missionary force. Frank W. Price and Kenyan E. Mayer, "A Study of American Protestant Missions," Occasional Bulletin, November 16, 1956.

2. The historical background is developed in Daniel Boorstin, *The Americans: The Democratic Experience*, Part Ten: "Mission and Momentum" (New York: Random House, 1973). See also Merle Curti, *American Philanthropy Abroad*, and especially the summary descriptions, pp. 619-628, (New Jersey: Rutgers University Press, 1963).

3. The Neutrality Act was designed to insure a neutral U.S. position by prohibiting specified kinds of economic aid to nations the President declared to be in a belligerent state. The act did permit private measures to relieve suffering in these countries, but only under government regulations. Initially, the regulation was nominal. By February 1940, 362 agencies had registered under the terms of the Neutrality Act of 1939 (*Statutes-at-Large*, Volume 54, Chapter 2, Section 4). Curti, op. cit. p. 414.

Number of Foreign War-Relief Registrations Approved and Withdrawn Annually from September, 1939, Through December, 1945

Year	*Number of Agencies Approved During the Year*	*Number of Licenses Withdrawn*	*Number of Agencies in Operation at Year's End*
(Department of State Registrations of Voluntary Foreign Relief Agencies Operating in Belligerent Countries)			
1939	235	22	213
1940	173	90	296
1941	126	122	300
1942	11	88	–
(The President's War Relief Control Board – All Foreign War Relief)			
1942	9	41	191
1943	15	104	102
1944	10	25	87
1945	12	9	90
Total	591	501	–

4. *Partners in Development: Report of the Commission on International Development*, Lester B. Pearson, chairman. Commissioned by the World Bank (1969).

5. *A Look to the Future*, The Advisory Committee on Voluntary Foreign Aid, Agency for International Development, April 1974, p. 8.

6. Overseas Development Council, Task Force Memo, December 8, 1974.

7. The Office of the United Nations Disaster Relief Coordinator was created in 1972.

8. Balance distributed by UNICEF, AJJDC (American Jewish Joint Distribution Committee), CWS (Church World Service), Hadassah, LWR (Lutheran World Relief), PPHF (HOPE), SAWS (Seventh Day Adventists), WRC (World Relief Council), and WVD (Vietnam); *President's Annual Report on Activities carried out under P.L. 480*, 1974. An unofficial tabulation for 1974 shows a total of $135 million allocated in that year. *Giving USA* 1975. CARE, and Catholic Relief still dominate.

9. *A Look to the Future*, Agency for International Development, 1974. But recent projections suggest that P.L. 480 programs may be revised.

10. Ibid., Introduction, pp. 6-15.

11. The AID Interim Guidelines Governing Funding for Private and Voluntary Organizations in Connection with Development Assistance Under the Foreign Assistance Program, dated July 23,

1974, provide that "Aid policy recognizes the natural affinity between the interests of the private and voluntary organizations and the Congressional emphasis noted above [i.e., development assistance to "people who constitute the poorest majority"]. AID also notes the growing interest of private and voluntary organizations in developing their capacities to expand their development assistance activities. AID grants are intended to assist in this effort while preserving the identity of the private and voluntary sector." Guidelines Governing Funding for Private Voluntary Organizations in Connection With Development Assistance Under the Foreign Assistance Program. *Interim Guidelines*, Agency for International Development, August 8, 1974, pp. 1-2.

12. But the AID guidelines do provide for so-called Development Program Grants – grants "to strengthen the capacities of selected private and voluntary organizations to plan, design, manage and evaluate development programs and projects." Ibid., p. 2.

13. The 1970 Presidential Task Force on International Development observed that "The United States should seek to operate these programs (Technical Assistance) more as a private foundation would," and recommended that "an increasing proportion of the work should be carried out largely through private channels."

14. The Ford Foundation, 1972 Annual Report, p. xiii.

15. The Ford Foundation, 1973 Annual Report, p. viii. Bundy goes on to say: "Government, like any other very large institution, is only imperfectly attentive to the need for self-examination, and it would be dangerous if an unavoidable monopoly of authority were combined with an avoidable monopoly of research and analysis."

16. *A Look to the Future*, op. cit., pp. 35-36. The Advisory Committee on Voluntary Foreign Aid has recommended that "[w]here voluntary agencies have the necessary experience and knowledge and an AID mission is no longer appropriate, AID should then seriously consider turning over programs of direct benefit to the poor in principal problem areas (food, nutrition, family planning, maternal and child health care, etc.) to U.S. voluntary agencies working in partnership with indigenous groups and organizations."

17. Merle Curti wrote that in the Greek struggle for independence in the 1820s, gifts intended for civil relief were seized by pirates or diverted to the military. Curti, *American Philanthropy Abroad*, op. cit., p. 625.

18. The Advisory Committee on Voluntary Foreign Aid is currently examining ways in which registration requirements could be made more meaningful and useful.

19. The most recent AID report on the role of private voluntary organizations confirms this view with considerable program detail. "The 1974 Role of Private and Voluntary Agencies in the LDC's Under the New Development Assistance Legislation," Agency for International Development Memo, March 1974.

20. 18 U.S.C.A., Sec. 953.

21. Ibid., "Any citizen of the United States, wherever he may be, who, without authority of the United States, directly or indirectly commences or carries on any correspondence or intercourse with any foreign government or of any officer or agent thereof, in relation to any disputes or controversies with the United States, or to defeat the measures of the United States, shall be fined not more than $5000 or imprisoned not more than three years, or both."

22. Internal Revenue Code, Sec. 170(c)(2)(D).

23. Committee on Finance, U.S. Senate, 7th Cong., 1st. Sess., Hearings on H.R. 8974: Revenue Act of 1935, p. 114.

24. Revenue Ruling 69-80.

25. Internal Revenue Code, Sec. 170(c).

26. Internal Revenue Code, Sec. 642(c). The inapplicability of the geographic limitation in Sec. 170(c) is confirmed in *Estate of Tait v. Comm'r*, 11 T.C. 731 (1948).

27. Revenue Rulings 63-252(1963) and 66-79 (1966).

28. The report adds that "contributions of processed foods, pharmaceutical supplies, hospital equipment, clothing, tools, and many other important material components of voluntary agency programs have been reduced by many millions of dollars. A number of agencies report that their in-kind contributions have dropped by well over 50 per cent." *A Look to the Future*, op. cit., p. 117.

29. *Research Centers Directory*, A.M. Palmer, ed., (Detroit: Gale Research Co., 1972).

30. A minor but not insignificant problem arises in connection with the provision in the Internal Revenue Code to permit hosts of students visiting the United States on international exchange programs to deduct the reasonable expenses of maintaining their foreign-student guests. It has been suggested that the provision be extended to cover foreign visitors who are not enrolled in intergovernmental programs — since these programs have been severly curtailed for budgetary reasons — but who are coming to the U.S. under organized private programs as well. The amounts of deductions involved would be minimal, and the suggestion seems a reasonable one. A special problem arose in the summer of 1974, when Immigration and Naturalization Service regulations severely restricted summer employment opportunities for foreign students in the United States, because of rising domestic unemployment. Since private funds have not been available to fill the gap, many foreign students have had to curtail their stays in the U.S.

31. A new 1974 regulation for accreditation of business schools by the American Assembly of Collegiate Schools of Business requires an international dimension in the curriculum.

32. The Academy for Educational Development, in cooperation with the American Council on Education, has developed a data bank, originally initiated by Education and World Affairs, the predecessor organization of the International Council for Educational Development. The data bank is supported by grants from the U.S. Office of Education, the State Department Bureau of Educational and Cultural Affairs, and the Agency for International Development. The data bank contains statistical and descriptive data on 2,300 international education and cultural programs in more than 500 American colleges and universities, including area-studies programs. The data goes back to 1968 and is updated biennially. Computerized data describes the kinds of programs underway, participating academic departments, size and sources of funds.

33. Another category of organizations involved in international affairs research is essentially based in a particular discipline or professional field. Thus, the Institute for Psychiatry and Foreign Affairs, the Western Behavioral Science Institute, the Conference on Peace Research in History, the American Orthopsychiatric Association Study Group on Mental Health Aspects of Aggression, Violence and War, the American Bar Association World Peace Through World Law Committee, the Federation of American Scientists. Of some 70 American organizations engaged in "futures" research (recently surveyed by the Center for Integrative Studies, State University of New York, Binghamton), a significant number are engaged in research related to international futures. Some foundations have themselves become operating (as distinguished from grant-making) foundations and have focused a considerable portion of their resources on international affairs research, especially as this relates to the formation of perspectives and attitudes in the United States. See, for example, work the Charles F. Kettering Foundation has undertaken in cooperation with the Mershon Center of Ohio State University.

PRIVATE PHILANTHROPY AND PUBLIC AFFAIRS

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Introduction

Private philanthropy has become a significant force in defining and dealing with this nation's public problems. That role is not a new one for philanthropy: Benjamin Franklin knew and practiced the art in his day as deftly as any modern foundation. But a number of developments have considerably expanded such private intervention – among them, the proliferation of private fortunes and foundations during the heyday of American affluence (1890 - 1970); the professionalization of philanthropy and the rise of a cadre of "public servants" on private payrolls; the growing realization that random acts of individual charity are not enough to cure basic social ills and redirect larger social forces; and the constant blurring by a complex society of any lines between private and public concerns.

The more significant philanthropy's role has become, the more it has been subjected to public scrutiny. With accelerating frequency and sophistication, Congress and other "tribunes of the people" have begun to examine the role of philanthropy in public affairs and to press for canons of behavior that are more explicit and at the same time more consonant with evolving American notions of what is acceptably 'democratic.'

A patient historian would find in this mounting dialogue substantial reason for optimism. Public understanding and acceptance of the role of philanthropy in public affairs have increased, while the inherent elitism of philanthropy has been tempered and public accountability sharpened.

Still, in the short run, sizable questions and frustration remain. The most recent chapter in the dialogue between Congress and philanthropy (the Tax Reform Act of 1969) was written in negative terms. While its net effect has been beneficial, the Act leaves a legacy of ambiguous language, restrictive provisions, and philosophical evasions that need attending to.

High on the agenda for progress is the need for a positive statement about the role of private philanthropy in America's public affairs. Private giving and voluntary action are not just historical niceties of marginal importance on the American scene. They are integral to the social and governmental fabric of the nation and as such are an essential (if still largely unwritten) part of the American "Constitution." The money-giving sector of philanthropy (foundations and other private donors) is a private version of society's legislative process – the process by which social goals are established and society's resources distributed. That private process is both in tandem and in tension with the public legislative process – the tensions being as useful and as natural to the partnership as their harmonies. Similarly, the money-getting part of philanthropy (the many agencies of voluntary action to which donations are made) is the private counterpart of the public bureaucracies – also in tension, also in tandem. The result is a social system, potentially at least, of extraordinary strength and flexibility.

Putting all this into statutory language (in effect, writing the constitution for public affairs philanthropy) will be as baffling as it will be beneficial. There is an inherent paradox in codifying groundrules for flexibility, exploration, and risk taking. Similarly puzzling is the question of providing philanthropy with the assured base of financing that its freedom and potency require – the choice lying between the lingering privilege of private wealth and the encroaching constraints that characteristically come with public appropriations.

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This paper concludes with a number of observations and recommendations pointing toward the next round of congressional consideration and beyond. Among them: (1) More resources should flow into public affairs via private philanthropy. But equally, if not more important, greater freedom than the law currently allows should be given to private philanthropy to engage in legislative dialogue on public issues. (2) Private philanthropy is lagging in its willingness and capacity to play its needed and proper role in public affairs. (3) There is undeniably a need for greater openess and responsiveness in private philanthropy. But this need cannot fully be satisfied by legal safeguards and the stifling proceduralization that too often goes with them. Greater public understanding, and the questioning and badgering that go with it, are still the surest way of "democratizing" philanthropy and assuring its vitality as both a complementary and countervailing force in American public affairs.

A Prefatory Warning – Philanthropy is a Lot of Different Things

This nation does its public business through a bewildering array of instrumentalities – governmental, private, and so many variations and mixtures of both as to defy classification.

"Philanthropy" accounts for a significant fraction of those nongovernmental agencies. Precisely how many will probably never be known, for the simple reason that no reporting system will ever spot every civic association or block organization that may suddenly form and then just as suddenly disappear. And precisely which of these agencies deserve to be called "philanthropic" is open to question. The only standard definition is the one supplied by the Internal Revenue Service when determining tax status of "charitable" organizations. But not all charitable organizations (though a staggering half million or so) have applied and been certified.

The IRS label for "philanthropy" is "charity." Charities are nonprofit organizations that are relieved from paying taxes. Some of them engage substantially in lobbying; these are classified by the IRS as 501(c)(4) (the relevant section of the IRS code). Others do not (or at least they legally shouldn't), and they are classified as 501(c)(3). The principal difference between them – and it becomes an extraordinarily important difference – is that gifts to the latter are tax deductible by the donor; gifts to the former are not.

There are further distinctions within 501(c)(3) organizations. A relative few of these agencies *give* money – usually these are called foundations, some of them run as private and closed corporations, others as community enterprises. Most 501(c)(3) (and all 501(c)(4)) agencies spend most of their time *raising* and *spending* money for their special causes.

All of these organizations – plus the uncounted others without IRS designation – together constitute that massive and somewhat mysterious resource of human energy in America available without profit and (relatively) free of government to serve "in the public interest."

Actually, all of these agencies should be and are the proper concern of this paper. In one way or another, at one time or another, each of them is involved in "public affairs" – if only through the decision to abstain. This paper begins and ends, therefore, with a conception and a concern that embrace this "Third Great Estate" (neither government nor business) which has come to have such a significant role in defining and dealing with America's public problems.

But the focus then narrows to what is more popularly understood to be philanthropy – and which, for reasons cited, is in many ways the most critical and sensitive part of the larger universe of the charitable world – the *givers* of private money – foundations, corporations, and individuals.

This paper is an attempt to analyze the role they play in American public affairs, the things they do, the purposes they serve, the problems they cause and encounter, some of the steps that might be taken to minimize those problems and make private philanthropy even more a resource for the nation in satisfying its public needs.

I

CONCEPTS, CATEGORIES, AND CASES

"Public Affairs" in the lexicon of philanthropy means two things, neither of them well defined, though both of growing importance: first, a *process*; and second, a *category*.

The *process* is one of exercising private initiative in coping with public problems and in shaping public policy.

The *category* is the label frequently but not consistently applied when tabulating philanthropic programs that represent such initiatives.

The two are related, but they are not the same. This chapter does its best to explain, illustrate, and distinguish.

Public Affairs as Process

At its most elemental, private philanthropy is a one-to-one relationship: a single human being caring and sharing with another, without regard to public policy.

Philanthropy in that simple form is still widely practiced in the United States. That fact in itself has social and political significance: "the system" allows personal charity, more than that, encourages and depends on it.

But private philanthropy has moved far beyond the realm of the one-to-one, with only aggregative and distant impact on public policy and the social system. For a variety of reasons, four of them pivotal, private giving and private doing (philanthropy in its broadest sense) have explicitly and substantially become involved in the process of defining public problems, shaping public attitudes, and allocating social resources – in short, the formation of public policy. The four contributing factors are these:

First: A century of American affluence (1870-1970) generated private fortunes, interests, and perceptions sizable enough to encourage both donors and recipients to range far beyond individual acts of charity. With millions and sometimes billions of private dollars both available and at stake, the Carnegies, Rockefellers, Fords – even more so, the paid philanthropoids who followed in their name – were able to fix on patterns of social need and charitable opportunity that were regional, national and even international in scope – agricultural development in the South, libraries throughout the nation, peace around the world. Motives for giving on that scale may be called into question, but not the magnitudes of private wealth that made possible these ambitious forays into major issues of public concern.

Second: Both the donor and the donee sides of philanthropy have increasingly become corporate and bureaucratized – organized companies of professionals serving as intermediaries between those who choose to distribute their wealth and those who ultimately are selected as clients and beneficiaries. That inbetween world of the "non-profits" – with its own cadre of "public servants on private account" – adds a unique element to American society and governance. It also symbolizes and encourages the growing de-personalization of philanthropy and its accelerating involvement in matters of general rather than individual concern.

Third: American philanthropists, especially when professionally trained, have increasingly come to realize that isolated acts of personal charity are not enough to cure basic social ills or to reshape the larger forces that give rise to them. More and more, their efforts have turned toward understanding, and getting the public to understand, these basic forces, circumstances, causes, and possible cures. At the same time, philanthropists have tended systematically to encourage government to assume the burden of dealing with individual victims of bad circumstance – by identifying programs and policies, such as social security, income maintenance, and educational entitlements, that convert isolated and discretionary acts of private charity into regularized public remedies that flow as a matter of legislated right.

Fourth: There probably never was, but certainly in a complicating society there nevermore can be, a clean delineation between the domains of private philanthropy and public policy. Merely allowing private giving, as stated above, makes philanthropy an influential participant in the American social and political system. Weaving it into the fabric of the tax system made philanthropy all the more a part of the "seamless web." Now – with professional analysts and activists philanthropically at work in every nook and cranny of American society, ferreting out causes, experimenting with remedies and energizing new constituencies – there is no practical or theoretical way of keeping the world of private philanthropy separate from the world of public policy.

But there are ways of distinguishing the philanthropic process from the governmental process, so that the genius of each can be appreciated, their complementaries and countervailing interplay understood, and their reinforcing benefits maximized.

The characterizing glints of the philanthropic process can best be captured when viewed from these perspectives:

Philanthropy as a Private Version of the Legislative Process

The *giving* part of philanthropy (foundations, corporations, and individuals) carry on privately a function that is essentially the counterpart of what is done by the public's legislatures: they "listen" to public opinions, identify social problems, frame the issues, choose ways of dealing with those issues, resolve at least to their own satisfaction the competing claims of supplicants and advisers, assemble financial resources, appropriate money, and then evaluate performance.

The distincitive attributes of this private legislative process are that it can intervene in public matters without having to levy taxes or get elected; that it acts by persuasion and contract, not by force of law; and that it is ultimately subordinate, or at least accountable, to the public legislative process.

When this comparison is made, one can quickly appreciate the natural kinship and rivalry, the love-hate relationship that exists between society's public and private "legislators" – particularly so between Congress and the more powerful philanthropists and foundations. They are at once practitioners of the same art but competitors, each with its own working habits and competitive advantages, each struggling to keep and expand its own share of the market of social influence.

The differing logics and counterlogics are detailed in Chapter III below. Enough here to point out the options that the parallel existence of a private and a governmental legislative process represent for the American public: the two can be relied on separately and simultaneously to work either collaboratively or competitively. It provides another set of checks and balances which were not anticipated either in the Constitution or in James Madison's classic discussion of countervailing power in the Tenth Federalist Paper.

Philanthropy as a Private Version of the Administrative Process

The *spending-and-doing* side of philanthropy – the thousands of agencies to which money is donated and through which it is then dispensed – similarly has its public analog in the administrative agencies of government. Their distinctive qualities are also readily deducible; their innate penchant for collaboration and competition is equally powerful. Rather than spell them all out, a few behavioral traits may be suggestive.

One relates to the ease of entry into the private administrative process: relatively simple for the agency itself (almost anybody can organize a nonprofit agency and operate on a shoestring, in most cases without a license), but not so easy for the client, who must wait on the private agency's discretion while coming before the public bureaucracy as a matter of right.

Another perception: the love-hate relationship between public and private bureaucracies is intensified to the degree both are professionalized. Similarity of training and commitment tends toward a common approach; but competition for turf and resources fiercens the animosities that are latent among all professionals.

Again, the coexistence of parallel bureaucracies provides American society with a plethora of options – the more so, as it becomes possible for private wealth and public resources each to be allocated separately through two sets or in some combination of administrative agencies, one private and the other public (for example, a foundation can give a grant either to a public or a private university or to both; and public legislatures can choose to contract with a private research agency, and/or add to the budget of, say, the Library of Congress).

Philanthropy as a Social and Political Process

Philanthropy – both in its giving and in its doing – bears far more study as a social and political process than it has been given, although Congress in its episodic concern has probably been more perceptive in its suspicions than scholars and the media have been in their analyses.

Private philanthropy *is* a social and political force – though its essential character and net effect are in most appearances so diffuse, contradictory, and variegated as to escape notice or defy generalization.

But as research by the Filer Commission has shown, some valid observations can be made. For example:

- There is a class pattern in the philanthropic allocation of private resources—the wealthier giving more to education, culture, and hospitals, the less wealthy giving predominantly to the church, community welfare, and other "common-man's charities."
- The progressive nature of the income tax system is offset, even "reversed," by the system of tax incentives that has been incorporated into the Internal Revenue Code – the net cost of giving ranging from the lower-income taxpayer's "86¢ on the dollar" to the highest tax bracketeer's "30¢ on the dollar."

These are facts that fit comfortably with the Populist's general aversion to private philanthropy; the Tax Reform Act of 1969 would not have been legislated unless there were a good deal of evidence and feeling about philanthropy's bias toward wealth and the status quo.

But a dispassionate sociologist or political scientist attempting to see the philanthropic process whole would have to take other goals, traits, and observations into account. One set of these emerges from the constant and seemingly instinctive quest by Americans for something more than what the governmental process by itself provides them: at the very least an option, and beyond that, a way of dealing with problems that is not the lowest common denominator among fractional interests. The philanthropic process symbolizes such an alternative, even if it does not always provide it. The fact that it comes at the cost of some measure of elitist influence has always troubled the nation. But as fearful and resentful as they sometimes become, the nation and its Congress continue to hold on to that philanthropic option – and resolve their ambivalence by steadily trying to curb the vestigial instincts of philanthropy that link it to its origins in wealth.

Philanthropy as Historical Process

The steady "democratizing" of philanthropy is itself a study in the dialectic of social and political evolution. But viewed through time, philanthropy can be further understood as a shifting, perhaps cyclical, force in the process by which the nation defines and deals with its public problems.

To illustrate: At a given point in time, philanthropy may intervene as a "social scout," roaming ahead of public awareness to give early warning of social problems soon to emerge. Analysts and researchers on philanthropic account are then assembled to study the problem; frequently some experimental approach to solving the problem is then devised and launched, again with the use of private funds. Next, programs for training appropriate kinds of expertise are piloted. By now, public attention has been called to the problem. Sentiment mounts, and an innovative public official picks up the drumbeat. Legislation is passed creating an administrative agency to deal with the problem; funds are appropriated. For a time, philanthropy basks in its "success" and cooperates enthusiastically with the public programs which have joined the crusade. But the dynamic and dominance begin to shift – and the greater resources and scope of public action begin to displace philanthropic activity. Philanthropists leave the field for a while, or in some cases continue to do the same old thing. The public programs and their bureaucrats begin to stagnate, in many ways become rigid and obsolescent. Again philanthropy rouses its innovative spirit and intervenes – characteristically as evaluator, critic, and gadfly. New perceptions, new definitions, new approaches emerge. And the cycle repeats.

Since philanthropy at any one point in time is engaged with a variety of social problems and programs each in a different phase of the cycle described above, it is perceived simultaneously as many different things: innovator, inactive; gadfly, collaborator (or conspirator); activist, analyst; relevant, removed; essential, superfluous.

These static impressions mask what is probably the most crucial characteristic of the philanthropic process: its dynamism and versatility through time.

It is hoped that enough has been said to this point about process to suggest what is meant from that perspective about the role of private philanthropy in public affairs. Time now to turn to the second concept and context: public affairs as a category of philanthropic activity.

Public Affairs as a Philanthropic Category

Private philanthropy has long been active in "Public Affairs," but the title – as a formal category of private giving – is relatively new and badly in need of standard definition.

The latest edition (#4, 1971) of the *Foundation Directory* does not include "Public Affairs" or even "Government" or "Civic Affairs" as categories in its classification of grants over the decade 1961-1970. It was not until 1973 that the Association of Fund-Raising Counsel recognized "Public Affairs" as a field in its annual compilation, *Giving USA*. Nevertheless, the current edition does emphasize the growing importance of public affairs giving:

> More and more concern is being expressed by all sectors of philanthropy for the causes that make up the 'Civic and Public Affairs' category . . . .

Recognition is one thing, definition another. Lists and concepts of "Public Affairs" activity vary widely. In the world of corporate giving, "Public Affairs" still has strong overtones of public relations and community goodwill, though there is growing sophistication about the term and the kind of work it represents. Among foundations, classifications differ. A case in point are special education programs for minorities: Carnegie, in its 1973 report, lists such grants under "Education," not "Public Affairs." The Henry Luce Foundation includes them under "Publc Affairs"; the Rockefeller Foundation, under "Equal Opportunity"; the Ford Foundation divides them, some under "National Affairs – Economic and Social Parity," the rest under "Education." The list in *Giving USA* is something of a catch-all: it includes "environment and ecology, conservation and preservation, justice and the law, municipal and community improvement, good government, housing and urban renewal, and mass transportation." But not educational programs for minorities.

We have attempted in this section to devise a classification that is systematic and reasonable enough to serve at least as a first step toward more standardized reporting. It defines "Public Affairs" giving in terms of four component purposes:

1. Improving the processes and competence of government;
2. Helping to define and clarify public issues;
3. Helping to ensure the rights and participation in government and society of all members of the public;
4. Improving the responsiveness of the private sector to public needs.

While this classification does not radically depart from current notions and reports, there is no valid way of converting existing tabulations into reliable estimates of how much private philanthropy contributes toward these four public affairs purposes each year. But there are some fragmentary data that give at least a preliminary sense of the magnitudes involved.

The National Planning Association tabulated a 1973[1] sampling of foundation grants and did a trial run of categorizing them by the four-purpose system outlined in this report. NPA's selection *did not include* special educational grants for minorities nor many of the community development, youth, and social service grants directed at special problems of the disadvantaged, particularly in depressed urban areas. We *have* included these activities for two reasons: the plight of the minorities and the cities has long been on the agenda of public problems, conspicuously so during the past two decades; and giving for this purpose is commonly understood and reported by donors as contributions for "public affairs." Translated into total dollars, the difference between the narrower and the broader selection is substantial.

Conceivably, there is a middle ground between these listings that has a lot to recommend it: namely, count only those grants that more permanently and/or fundamentally affect the processes of government, the agenda of public action, and the allocation of public resources. By that criterion, a grant that led, say, to a change in the bail system would be allocated to "Public Affairs," whereas contributions that simply provided bail to indigent persons without affecting the bail system would be categorized as "Social Welfare." A grant that was intended to affect the ground rules of minority access to education would fall under "Public Affairs"; but sustaining support for minority scholarships would not ("Education"). The net result would be an even tighter compilation than NPA's, certainly a lower estimate of total "Public Affairs" giving. It might also provide a more meaningful basis for analyzing private philanthropy's role in public affairs. But at least now, there's no way of converting that concept of public affairs into even a rough estimate of total giving.

If some kind of number must be had – or simply a sense of the current magnitude of private giving for what reasonably might be categorized as public affairs – it would probably make most sense to start with NPA's sample tabulation and the estimates derived from it. NPA calculated that foundations in 1973 contributed $295 million to public affairs. That sum represents 13 percent of all foundation grants in that year, and 49 percent of the $600 million reported (though again not on a comparable basis) in *Giving USA* as the total of all private contributions to public affairs in 1973. This "grand total" of $600 million amounted to less than .2 percent of total governmental spending in 1973. That fraction, and its *numerical* insignificance, is the most accurate quantitative measure available under present systems of reporting.

But quantities are really not at issue in discussing – and debating – private philanthropy's role in public affairs. The basic issues center on what is being done, why it is being done, who is doing it, and how. We have therefore devoted the remainder of this chapter, and perhaps a disproportionate share of this report, to a factual description of what we mean by "Public Affairs," and to a rather fulsome display of examples that illustrate the kind and variety of grant-making activity that private philanthropy – individual, corporate, and foundation – is now engaged in.

Four Principal Purposes of Public Affairs Giving

First: to improve the processes and the competence of government. Specific goals include the development of reliable and nonpartisan research resources; legislative, administrative, and judicial procedures attuned to society's changing needs; an effective and humane system of law enforcement and administration of justice; a trained and sensitive supply of manpower for public service; mechanisms for private monitoring and evaluation of governmental action; open avenues of communication between government and governed, including procedures for redress of citizen grievances; integrity in public service and politics; and an informed and active citizenry.

Second: to help define and clarify issues for public consideration and governmental action. The intent of philanthropy under this heading is to bring to public attention critical issues awaiting action by policy makers – energy, drug abuse, housing, educational financing, open space, pollution, transportation, crime, to name but a few that are current – and to support research, experimentation, and demonstration addressed to possible options and effects of alternative policy decisions.

Third: to help ensure the rights and equal participation in government and society of all members of the public. The objectives here include equal opportunity in education, employment, and economic enterprise; equal justice under law; free exercise of the right to vote; open housing; consumer protection; individual rights to privacy and freedom of choice and expression; the citizen's right to be heard on administrative agency decisions affecting his/her welfare.

Fourth: to improve the responsiveness of the private sector to public needs. Corporate responsibility, town-and-gown cooperation for community betterment, voluntary/governmental cooperation on public problems and needs and, finally, more responsive and responsible philanthropy are the goals of giving in this category.

What follows is an attempt to show, through example, who gives and who receives the money, and how it is used, within each of the philanthropic purposes set forth above. The examples are meant to be illustrative, not evaluative; the fact that some donors and programs are mentioned and others omitted is in no sense a judgement of relative merit. A point to watch throughout this display of examples is the persistent and pervasive mixing of private and public support. Separation of the two sectors is neither characteristic nor easy.

1. Improving the Processes and the Competence of Government

Reliable and nonpartisan research resources. Critics of philanthropy's role in support of public affairs research are wont to point to the vast reservoir of governmental funds now available for social science research in support of their claim that private funds are at best unneeded and at worst used in biased and partisan fashion. While it is true that more governmental than private money now flows to research on government-related policy issues, it is equally true that private money helped create most of the important national research resources – independent institutions as well as university-related centers; further, the private money is still needed to "seed" timely research that will later be picked up by government and to fund studies in areas too sensitive for governmental budgets.

For example, the Urban Institute, established in 1968 on HUD's initiative to provide a national research resource on problems of urban growth and development, expected that governmental grants and contracts would, at least within a few years, fully sustain its programs at a productive level. But the institute requested and received from The Ford Foundation all of its start-up funds, and as late as 1973 estimated that 35 percent of its $8.2 million annual budget came from private philanthropies.

Other national research bodies – the American Enterprise Institute for Public Policy, Battelle Memorial Institute, The Brookings Institution, Governmental Research Institute, and university-related centers at every major university (and many smaller ones as well) – rely on some sort of public/private mix for their support and would be crippled, if not killed, if either source disappeared.

The combined output of these agencies covers the full spectrum of political and governmental processes and problems – from intergovernmental relations and public finance, to unemployment, inflation, poverty and income maintenance. The effect of findings and recommendations on governmental structure and policy cannot be easily measured: reports are usually publicly praised or damned by various officials in accordance with varying points of view and then referred to staff for further study, eventually to emerge as parts of legislative or administrative action, or shelved, as the case may be. The most tangible proof of utility lies in whether government itself chooses to give continued support, adding its funds to those contributed by private philanthropy, or picking up where philanthropy left off.

As might be expected, the larger foundations are the principal private funding source for nationally oriented research: Carnegie, Ford, Lilly, and Rockefeller are sponsors most frequently listed. University centers are frequently supported by smaller local and regional foundations in their areas – the Louis W. and Maud Hill Family Foundation in Minnesota, for example. Some university centers bear the names of principal or founding benefactors – Pennsylvania's Fels Institute for the Study of State and Local Government, Rutgers' Eagleton Institute of Politics.

Much closer to the consciousness of the average citizen are the research contributions of a growing number of regional research and planning agencies whose support comes heavily from local foundation and corporate sources. For example: Kansas City's Institute of Community Studies, established and supported by the Kansas City Association of Trusts and Foundations; Detroit's Metropolitan Fund, financed heavily by that city's large industrial establishment; Washington, D.C.'s Center for Metropolitan Studies, partly supported by the Eugene and Agnes Meyer Foundation; Cleveland's Governmental Research Institute, funded by the Cleveland Foundation; the Office of Newark Studies, established at the mayor's request and supported by three local foundations – the Wallace-Eljabar Foundation (now the Fund for New Jersey) and the Victoria and Schumann Foundations; and New York's Regional Plan Association, which boasts a long roster of corporate and foundation donors.

The point to be made is that giving for public affairs research, as for other categories of public affairs giving, is by no means limited to the philanthropic giants and is more common than is generally understood. While it is difficult to generalize about the public/private mix of support for this vast network of institutions, the obvious point is that it *is* a mix – almost universally, inextricably, and perhaps irreversibly so. Whether the activity begins privately or publicly, it usually and swiftly sends its financial roots into both sectors.

Legislative, administrative, and judicial procedures attuned to society's needs. The results of research, whether privately or publicly financed, are intended to provide a basis for improving governmental procedures, but something more must often be added: an experiment or demonstration which helps point out the need and options for a change in the system, and continued technical assistance to nurture that change. This is where creative philanthropy can make one of its most important contributions to public affairs. Governmental officials must of necessity approach such experiments with caution, and few governmental budgets (particularly at local levels) allow for experiment with the untried.

When, for example, Mayor Lindsay of New York was denied a budget for an experiment with "little city halls," he sought and received private funding to initiate the project. That innovation was later absorbed into the city's governmental structure. Privately financed experiments in other cities with new forms of resource management, solid waste disposal, public housing, have likewise led to eventual adoption of improved structure and practice. And the service organizations of the cities, counties, and states – the U.S. Conference of Mayors, the National League of Cities, International City Managers Association, National Association of Counties, Council of State Governments – have all been enabled through private philanthropy to provide their constituents with a continuing flow of information and technical assistance.

One new institution on the national scene deserves special mention – the Citizens Conference on State Legislatures, established in 1965 on the initiative of a group of businessmen, educators, union and civic leaders to provide information and technical assistance on problems related to modernization of state legislatures. Seed money was provided by the Kansas City Association of Trusts and Foundations and initial support by The Ford Foundation and the Carnegie Corporation. In 1973, these and other foundations (most recently the Robert Wood Johnson Foundation) were still providing 76 percent of total costs of the conference; 20 percent came from government, 4 percent from business.

An effective and human system of law enforcement and administration of justice. Privately sponsored research and demonstration agencies working to improve the system of law and justice have proliferated throughout the country. Many of them are drawing on the pioneering work of New York's Vera Institute of Justice, whose systematic experimentation in matters such as bail reform, arrest and sentencing procedures, and assistance for parolees, ex-convicts and ex-addicts has exerted a powerful influence along a whole range of social problems and public policy.[2]

This critical category of public need and private giving is the focus not only of multimillion dollar programs like Ford's Police Foundation but also of smaller foundations in most major cities – examples are Hill in Minneapolis/St. Paul, Wieboldt in Chicago, and a cluster of Cleveland philanthropies led by the Cleveland Foundation and including also the Gund, Jennings, Gries, and Codrington Foundations. New York's Citizens Inquiry on Parole and Criminal Justice, whose recent report on parole in New York State drew national press attention, is financed by the Abelard, Bialkin, D. J. B., Frieda, and New York Foundations and the Fund for the City of New York.

Public money, particularly through the Federal Law Enforcement Assistance Administration, also contributes to many of these projects. But the catalysts are the private foundations.

Trained and sensitive public servants. A single foundation – the Spelman Fund of New York, now dissolved – spent its total assets of $10 million in the 1930s and 1940s to help professionalize public administration personnel and practice. Later, other foundations – Carnegie, Ford, and Mellon, among the leaders – assumed the role of principal support for graduate training in public administration and such government-related fields as city planning. Before the Inter-Governmental Personnel Act of 1970, foundations were the main – often the only – funding source for training newly elected public officials as well as civil servants at mid-career.

Foundations are still supporting a variety of such programs – for example, the Conference of Mayors' continuing series of seminars for their newly elected members.

Corporations, too, are contributors. In the Twin Cities (Minneapolis-St. Paul) Metropolitan Area, the Dayton-Hudson Corporation – one of the few corporations in the country that gives as a matter of continuing policy the full measure of 5 percent before-tax profits for charitable purposes – took the lead in establishing an advanced training institute for key administrative personnel from the area's local governments. Local and national foundations cooperated in establishing the Institute for Politics (headquartered in New Orleans but recruiting throughout the South), whose mission is both training and research in practical politics.

With the rise of public service unions, the sensitive areas of labor/management relations and contract negotiations have assumed new importance. Private philanthropy – principally Ford – is supporting the Labor/Management Relations Service established by the Conference of Mayors to assist its members in this troubled area.

Monitoring governmental action (the "watch-dog" function). There is no point in attempting to list all the myriad study commissions, advocate groups, and citizens committees that dot the public landscape and depend on private giving to monitor public performance. Their concerns range from the general subject of governmental efficiency to special problems such as pollution control and school improvement. Individual contributions of both time and money are likely to provide much of their support. On the national scene, a very few foundations – Ford, Carnegie, Edna McConnell Clark, Field, and Rockefeller Brothers Fund, and several others – are financing the monitoring of matters such as revenue sharing, the conditions and rights of children, delivery of social services and administration justice in the South, federal administration of housing programs. And, perhaps most influential of all, there is Common Cause, acting as a watch-dog across the whole range of legislation on national issues, and funded by thousands of individual, *non-deductible* contributions.

Open communication between government and governed (access to services, redress of grievances). Two national movements of the 1960s, both sparked by private philanthropy and still largely privately supported, are illustrative.

The first is the movement to establish citizen information and referral centers which see to it that persons in need are indeed served by appropriate governmental and voluntary agencies. A Ford-financed study in 1966 of Britain's system of Citizens' Advice Bureaus and of a few similar information centers in this country is credited with generating this movement.

The second is importation of the "ombudsman" concept into this country – an innovation that has progressed from an unpronounceable foreign title to a household word. Professor Walter Gelihorn's studies in the early 1960s of this Scandinavian institution (the ombudsman is a nonpartisan arbiter of citizen complaints against governmental action) were financed by the Rockefeller Foundation. A subsequent American Assembly on the subject, also foundation financed, gave national prominence to the concept. Local government agencies, quasi-public bodies, even colleges and universities, have adopted the device. One example of joint private/public support is in Dayton, Ohio, where the Charles F. Kettering Foundation and the O.E.O. share the costs of an ombudsman for the city.

Yet another version of the complaint mechanism, this one completely financed by individual, foundation, and corporate gifts, is Call for Action, a volunteer-staffed telephone service first established in New York by Radio station WMCA, and now a national network.

Integrity in public service and politics. As Watergate and other revelations have indicated, ethical standards for public servants are in need of definition and enforcement. Points of entry for private initiative are hard to come by, but a few examples deserve mention. One is the Fair Campaign Practices Committee, whose work is supported by individual contributions nationally. George Graham's study of *Morality in Politics* in the 1950s was aided in part by the Rockefeller Foundation. Most recently, and dramatically, the Watergate episode led the Senate Investigating Committee (chaired by Senator Ervin) to approach a number of foundations to solicit funding for a basic inquiry into alternative possibilities for reform. The studies were conducted by the National Institute for Public Administration and the American Enterprise Institute for Public Policy; they were financed by grants from The Ford Foundation.

An informed and active citizenry. In final analysis, the success of any effort to improve government depends on citizen understanding and action. The League of Women Voters and its Education Fund have for many years led the field in citizen education on public issues, supported by individual, corporate, and foundation contributions. The American Assembly is widely known for its series of symposia and publications on selected public issues. Its assemblies, both national and regional, are subsidized by foundation grants. The national meetings are held at Arden House, a gift of W. Averell Harriman.

Town-meeting-type discussions, both live and televised, are increasingly popular as a means of gaining citizen interest. Foundations, corporations, and governments usually share the costs. Local examples are "Goals for Dallas," New York Regional Plan Association's "Choices for '76," the Detroit Metropolitan Fund's "Regional Citizenzhip" project.

Foundations and corporations are also supporting innovative ways to use the media more effectively for citizen education. There are fellowships for journalists in public service and a number of privately funded awards for excellence in public-affairs reporting. Public television programs like "The Advocates" and "Bill Moyers' Journal" have attracted large audiences; they are privately funded. The Sloan Foundation finances special education for science writers, to help improve public understanding of the impact of science and technology on public policy. The nonprofit quarterly *The Public Interest* is privately subsidized.

2. Clarification and Definition of Issues for Public Consideration and Governmental Action

Much of the policy-oriented research and education described earlier relates equally to this second major purpose.

Additionally, there are many examples of privately sponsored special commissions, boards of inquiry, and individual scholars whose studies have helped clarify emerging public issues and alternative polices. They include the Carnegie Commission on Higher Education, a massive and continuing effort to define and ease the problems of higher education in America; the Field Foundation's task force on Hunger U.S.A.; Ford's drug abuse and energy projects; Twentieth Century Fund's series of inquiries (among others) on the performing arts, the press, legalized gambling, and the municipal bond market; the Sloan Commission on cable communications; Nelson Rockefeller's "Critical Choices" Committee; and, not least, the Filer Commission and the Peterson Commission before it. Studies carried out or commissioned by the Committee for Economic Development and the Russell Sage Foundation also belong in this category.

Private philanthropy has often been asked to provide supplemental funding for governmental commissions. President Eisenhower's Goals for America Commission and President Johnson's National Commission on Civil Disorders both drew on private philanthropy for significant parts of their total funding.

The list of foundation-financed studies by individual scholars is a long one; it includes Flexner on medical education, Myradal on race, Conant on American education, Alan Westin on privacy, and Terry Sanford on state government.

Important new institutions on the American scene owe their establishment to studies of this kind. Resources for the Future grew out of a Ford Foundation inquiry in the 1950s into environmental problems; the Education Commission of the States emerged from studies financed by Carnegie, Danforth, and other foundations.

Development of public policy affecting educational television and public broadcasting is in itself an epic tale of philanthropic intervention–too long to be told here, but too important to escape mention.

Privately funded experiments and demonstrations have served to illuminate alternative solutions for public problems in a number of policy areas. In education, Newark's "Call to Learning" program, supported by the Victoria Foundation, claims some credit as a model for Headstart, Ford's "gray areas" program of the 1960s, often identified as the forerunner of the War on Poverty, stimulated some profound changes in social policy. In Indianapolis, an early test of self-help housing in an urban environment was sponsored by the Board for Fundamental Education, with partial support from the Lilly Endowment. Boston's Permanent Charities Fund supported a test of tenant management in public housing, and in Pittsburg an imposing list of corporate and foundation donors have pioneered for a quarter of a century nationally significant innovations in housing, planning, and urban renewal. The Buhl Foundation experimented in developing a "New Town" long before Reston and Columbia revitalized that notion a decade ago and made it a matter of national policy.

3. Preservation of Human Rights and Equal Participation in Society and Government

Private giving, primarily by foundations and individuals, helps to support a continuing flow of studies, surveys, conferences, and publications on human rights and human relations by national organizations such as the American Civil Liberties Union, the NAACP, the Urban League, the Center for Urban Ethnic Affairs, the National Committee Against Discrimination in Housing, the Anti-Defamation League of B'Nai Brith, the American Jewish Congress. The Southern Regional Council operates at an intermediate level; and at the local level, chapters of national organizations and hundreds of local committees and councils carry on the incessant struggle for the rights of racial and ethnic minorities, women, consumers, children, prisoners, welfare recipients, the mentally ill, the elderly.

Many universities – particularly their law schools -- have research programs and special institutes that are privately funded. An example is the Center for Civil Rights at the Notre Dame Law School, funded in part by The Ford Foundation.

The Robert R. Moton Memorial's Capahosic Conference Center, for symposia and conferences on race and human relations, is supported by private philanthropy. So are the A. Phillip Randolph Institute; the Metropolitan Applied Research Corporation (MARC); and the Potomac Institute.

Equal educational opportunity. The range of privately supported activities bearing on educational opportunity runs from pre-school education to graduate training in the professions. Foundations, both large and small, corporate as well as private, have given the bulk of the money, but individual contributions are significant – and often have led the way (for example, Anne Forsyth's encouragements to the integration of private secondary schools in the South).

In higher education, Merrimon Cuninggim estimates that at least 748 foundations are known to have given to Black colleges and that "in the past decade or so four-year black colleges, universities and professional schools have received directly from foundations a minimum of $179,424,032 and perhaps a good bit more." The United Negro College Fund, supported by foundation, corporate, and individual contributions adds about $11 million yearly to direct giving for its member institutions. A few new educational institutions are being established for American

Indians – for example, the Navaho Community College in Arizona, supported among others by the Ford, Mellon, and Weatherhead Foundations.

The Rockefeller Foundation, beginning in 1964, has supported an ambitious program for increasing minority enrollment and strengthening related educational programs in predominantly white colleges and universities. The Danforth Foundation, through grants to the Southern Association of Colleges and Schools, has been working for more than a decade to upgrade predominantly Black colleges in particular and to strengthen educational opportunities for minority groups in general.

Professional education for minorities is a priority for several foundations. Ford supports fellowships and scholarships in fields related to government and urban affairs; Sloan emphasizes training in medicine, management, and engineering; Carnegie, Rockefeller, and many others are interested in increasing the number of Black lawyers.

Community organization, development, and service. Foundations, corporations, and individual donors in urban areas have regularly contributed to some form of community development or service activity designed to foster equal entry to the social and economic mainstream, as have labor unions and church groups. Despite the millions in federal outlays that now flow to such programs, private funding and experimentation continue. Examples of general community development include New York's Bedford-Stuyvesant Restoration Corporation, perhaps the best known of the comprehensive community development corporations, which began with start-up grants from the Vincent Astor and Ford Foundations; also Chicago's Woodlawn Organization. Examples of minority economic development include the Rev. Leon Sullivan's network of Opportunities Industrialization Centers; also, New York's Interracial Committee for Business Opportunity and similar organizations in other cities. Other forms of community betterment relate to the production and management of nonprofit housing for low-income families – for example, North Carolina's Low Income Housing and Development Corporation and Pittsburgh's Action-Housing, Inc.; to legal services for those who cannot pay – legal aid societies, law school neighborhood law offices; to youth services – for example, San Francisco's "Switchboard," funded by the Rosenberg Foundation and replicated in several other cities; and to many experiments in juvenile crime control and civic involvement of youth.

Special word should be said about the role of the churches in this aspect of public affairs. Aside from their prominence for a time in the civil rights movement, community service – particularly with regard to youth and housing problems in urban areas – has been an important activity for church funding and participation. Many foundations and individuals have helped. The Lilly Endowment, with its traditional orientation to theology and religion, has in recent years been a principal contributor to the training of clergymen for urban service.

Free exercise of the right to vote. "Get-out-the-vote" campaigns by privately supported, nonpartisan organizations like the League of Women Voters and the American Heritage Foundation are no strangers to American philanthropy, but until the civil rights movement of the 1960s they were a relatively noncontroversial exercise in good citizenship, intended to prod apathetic citizens to use a right that nobody questioned. Privately financed voter registration aimed particularly at minorities assumed a special and controversial importance in the 1960s, was the target of congressional investigations, and the subject of some of the provisions of the Tax Reform Act of 1969. That issue will be touched upon later in this paper.

The Tax Reform Act of 1969 does permit privately funded voter registration programs under regulated conditions, and philanthropic money continues to go to these causes. The Voter Education Project, an independent spin-off from the Southern Regional Council, is largely foundation financed. So are the voter education and citizenship programs of the National Urban League, the Youth Citizenship Fund, and the National Movement for the Student Vote.

Protection of individual rights. The urgent concerns of minorities and others pressing for governmental action on dozens of issues at every level of government and rising citizen sophistication in the uses of the law have together created two new and important channels for public affairs giving – advocacy and litigation. Some of this giving is not tax deductible for the donor: the Nader-inspired student Public Interest Research Groups now operating on a growing number of college campuses are (with few exceptions) a case in point. So are John Gardner's Common Cause and (for some of its activities) the American Civil Liberties Union.

But there are increasing numbers of public interest law groups that are eligible for foundation support, though grants to them are still discouragingly few – tax-exempt, privately supported organizations drawing not only on their own staff time but also on the volunteer talents of many practicing lawyers. These relatively new institutions are beginning to build an impressive record of service to hitherto unrepresented or underrepresented segments of society.

NAACP's Legal Defense and Education Fund is one of the oldest such groups: the 1954 Supreme Court ruling on school desegregation is one of its celebrated victories. There are now also Puerto Rican and Mexican-American Defense Funds, an Alaskan Natives Foundation, and a Native American Rights Fund. The Lawyers Committee for Civil Rights Under Law has local offices in most large metropolitan areas. California has Public Advocates, Inc., which handled the much-publicized *Serrano* case on inequities of public school finance. The Center for Law and Social Policy in Washington has an extensive program (national in scope) of public interest advocacy and litigation to strengthen health services, environmental defense, consumer protection, land-use planning, and women's rights. The Consumers Union, the National Committee Against Discrimination in Housing, and the Sierra Club have established their own litigation units. And a national Mental Health Law Project, protecting the rights of the mentally ill, is now operative.

The Stern Fund was an early contributor to public interest litigation; The Ford Foundation is the largest present donor; the Edna McConnell Clark Foundation is among the growing but still limited number of philanthropies that are finding in advocacy and litigation a most significant opportunity for public affairs giving.

4. Improving the Responsiveness of the Private Sector to Public Needs

"Responsiveness" has been the theme of a multitude of foundation, corporate, and individual grants that do not fit neatly into other categories but that help localities to improve their services and environment in ways not possible within beleaguered municipal budgets. Individual giving seems to feature more prominently here than in other categories: gifts for mini-parks, city beautification, clean-up campaigns; J. Irwin Miller's contributions to excellence of public architecture in Columbus, Indiana; and, not least, the untabulated but obviously large amounts of money and volunteer time contributed by individuals, rich and poor, to volunteer fire departments and ambulance services in rural and semi-rural areas.

But beyond these spontaneous citizen responses to perceived public needs, private philanthropy is engaged in a number of efforts to involve corporate, educational, and private voluntary institutions more responsibly in public affairs.

Promoting corporate responsibility. The Conference Board and the Committee for Economic Development, both funded by corporations and foundations, have placed the social responsibility of business high on their agendas. At the local level, Cleveland's PATH (for housing) and PACE (for education), both funded by the Cleveland Foundation, were designed to encourage business involvement. The Urban Coalition – nationally and locally – is perhaps the best known and most conspicuously financed agency to promote corporate and other involvement in urban problems.

College and university resources for community service. The Ford Foundation's series of "urban extension" grants in the 1960s was one of the more ambitious efforts to bring university resources to bear on the problems of their communities. Grants were made to state universities to provide urban communities with technical assistance analoguous to that supplied by the land-grant colleges in rural areas. Since then, some 300 urban affairs research and service centers have been established by colleges and universities, usually funded in part by foundations and other private donors.

Voluntary/governmental cooperation in serving public needs. Ford's "gray areas" program of the 1960s was explicitly designed as a venture in private-public cooperation. Federations of religious and nonsectarian private welfare groups have emphasized the same theme. The most prominent current example is the National Center for Voluntary Action, whose budget comes from many individual, corporate, and foundation sources.

More responsive and responsible philanthropy. The Council on Foundations, and similar regional and local groups, work to make foundation activity more responsive to public needs and more selective in grant making. These organizations are supported by their member foundations. Other examples: the National Council on Philanthropy, which draws on corporate support, and a new Association of Black Foundation Executives, foundation financed, whose mission is to provide input from the Black community to foundation policy and program. Again, the Filer Commission itself is an obvious example.

Special note should also be made of foundations whose very design is intended to stimulate a movement toward more responsive philanthropy. The Vanguard Foundation of San Francisco is a lively example: it is governed by those who (modestly) give, and distributes its small income only to those groups and purposes not likely to be attended to by more established donors.

Concluding Note

This survey of private giving for public affairs has been limited to grants and contributions. There are obviously other forms of "giving": volunteered services; loans and investments that have a public purpose and often involve higher-than-average risk and loss; affirmative action in hiring, purchasing, and contracting that "cost" the "benefactor" something more than current practice might require.

The question is raised later in this report whether tax incentives should be provided for giving of this sort. The present state of reporting[3] – and the speculative nature of such giving – make it extremely difficult to do much more than recognize that it exists and often is more valuable than direct cash contributions.

II

HISTORICAL PERSPECTIVE

Overview

Private philanthropy's role in public affairs is often debated as though it were a novelty on the American scene, and a function independent of all else. It is not. As detailed in the following pages, private persons and private money were at work on public problems well before the Republic was founded. Latterly, there have been discernible phases in which private giving has accelerated, seemingly as a result of four factors: rapidly rising affluence (late nineteenth century, post-World War II); new legal and political incentives (personal income tax rates and preferences since 1913, corporate excess profits taxes during the Korean War); a sharpened awareness of social inequities (muckraking era, freedom movements of the Sixties); and spurts in public acclaim for those willing to put personal wealth to public use.

The following chronicle should be read with the interplay of those forces in mind. One conclusion becomes obvious: if public affairs philanthropy is as American as apple pie, so is the controversy it regularly generates.

Early Philanthropists in Public Affairs

Historian Robert Bremner, in his *American Philanthropy*, writes of Benjamin Franklin:

> Starting in 1727 . . . Franklin proceeded to organize or assist in organizing a host of civic projects. He founded a volunteer fire company, developed schemes for paving, cleaning and lighting the streets of Philadelphia, and sponsored a plan for policing the city. His political talents were never better displayed than in his ability to unite public and private support behind muncipal improvements.

The concept of using private "seed money" to inspire needed public action is obviously not a modern invention.

Bremner also cites the work of Anthony Benezet (1713-84) in "obtaining grants from a grudging legislature" for Acadians in Philadelphia, victims of the French and Indian War (equal opportunity for minorities?); the efforts of numerous private prison reformers in the 1800s; of Arthur and Lewis Tappan, whose gifts to the abolition movement in the 1850s "exposed them to the wrath of street mobs and the pressure of the business community [which they faced] with uncommon courage"; and of privately financed organized Sanitary Commissions and Freedmen's Aid Societies during and after the Civil War – responsibilities later assumed by government.

Foundations in Public Affairs

Bremner also reviews the work of early foundations and trusts, beginning in the late 1800s, for rural development in the South, particularly in public schools. Most of these charities were given a hard time. When the Rockefeller-financed General Education Board in 1914 proposed grants to the U.S. Department of Agriculture for demonstration work in the South, some members of the Senate tried unsuccessfully to get the government to refuse. Bremner also notes that early foundations interested in Negro education were at pains to reasssure Southern governments that "we have no thought of colonizing northern teachers in the South, or of propagating northern ideas at the South." (Wallace Buttrick of the General Education Board, speaking to a joint session of the Georgia Legislature.)

Along with the General Education Board, the Peabody Education Fund (1867), the John F. Slater Fund (1882), the Anna T. Jeanes Foundation (1908), and the Rosenwald Fund (1911) also concentrated their resources on Negro education, working far in advance of local public and governmental acceptance.

In the northern cities in the early 1900s, newly formed foundations and community trusts were also moving into controversial public matters of a different sort. The Cleveland Foundation (1914), first of the community trusts in the country, and the Chicago Community Trust (1915), second such trust to be activated, both concentrated their initial activities on surveys and recommendations in local policy areas such as housing, criminal justice and corrections, municipal recreational and park facilities, relief services, the school systems, fiscal and tax reform, prenatal care, and care of mentally-ill veterans. These initiatives had varying degrees of success – criminal justice reform in Cleveland became a national model, but in Chicago the authorities did not heed recommendations of the trust concerning Bridewell, the notorious Cook County jail, causing the trust's director to write sadly, in 1961, "Now, forty years later, there is mounting public demand that Bridewell be modernized."

Successful or not, these activities were considered a principal and proper *raison d'etre* for community trusts, reflecting the conviction of Frederick Goff, who originated the community trust idea, that private philanthropy had an obligation to see to the public's business, and that "the surest way to improvement of public performance is to present to the citizen opinion of any affected area all the exact, uncolored facts of a matter warranting investigation and let citizen opinion crystallize and apply the needed changes."

As it turned out, this level of involvement in public affairs could not be sustained. The surveys were admittedly costly, and a historian of the Cleveland Foundation writes that the "disposition of the new Distribution Committee . . . to argue the cost of city-wide surveys of public matters as against benefactions more clearly philanthropic, was evident by 1923." And in Chicago, relief activities took over from public surveys as the Great Depression set in. Community trusts were not to emerge from these more traditional patterns of charity for many years – not until the urban and civil rights crises of the 1950s and 1960s compelled a reassessment, and rising income gave them enough extra to afford some new approaches.

Community trusts were not alone in plunging into controversy during this period; they had a few companions. The American Fund for Public Service, subject of Merle Curti's analysis entitled "Subsidizing Radicalism,"[4] was established in 1921 by Charles Garland, a young Massachusetts citizen "convinced that no one has any moral right to property beyond his immediate and basic needs." He was determined to spend his large inheritance as promptly as possible "to help movements which have not yet gained any substantial support and which represent the ideas and aspirations of new and developing forces." Labor, minorities, civil liberties, and working-class defense were causes of interest. Warren Weaver observes that "This fund finally managed to exhaust itself after twenty rather tumultuous years. Its actions were vigorously criticized, not least by members of various radical movements. One of the directors of the fund 'now thinks of the whole experience as a bit weird, and of the results as largely negative.' "[5]

(Equally controversial foundation support for radical right-wing causes developed somewhat later, most of it following World War II.)

Meanwhile, a number of foundations became concerned with the processes and personnel of government. Most notable was the Spelman Fund of New York, a $10-million spin-off from the Laura Spelman Rockefeller Memorial in 1928, whose mission was "cooperation with public agencies in the improvement of administrative methods and procedures." In the words of the Peterson report, "the development of the science of public administration in America is [the Spelman Fund's] great monument." The fund encouraged the establishment of professional organizations of public administration, provided quarters for them in the famous building at 1313

East 60th Street, Chicago, and created the Public Administration Clearing House for exchange of information and service coordination. Spelman Fund grantees included

> the Council of State Governments, the American Municipal Association, the American Legislators Association, the American Public Works Association, American Society for Public Administration, Civil Service Assembly of the United States and Canada, Municipal Finance Officers Association, National Association of Assessing Officers, National Association of Housing Officials; various "leagues of municipalities" in Virginia, Texas, Oregon, Minnesota, California, Michigan and North Carolina; and governmental jurisdictions or agencies directly – e.g., the states of New Hampshire and Maine; the Texas Joint Legislative Committee on Organization and Economy; the New York Commission on Old Age Security; the State Planning Boards of New York, Virginia and Kansas; the Mayor's Commission on City Planning of New York City.

Among other foundations interested in better government, the 1938 edition of *American Foundations for Social Welfare* lists the Thomas Skelton Harrison Foundation (1919) "for promotion of good government in Philadelphia"; the Taylor Trust Fund (1914), established by a Haverford, Pennsylvania, doctor "to promote improvements in structure and methods of government, with especial reference to the initiative, referendum and recall, proportional representation, preferential voting, ballot reform, the simplification of municipal, state and national government, and the revision or remaking of city charters, state constitutions and our national constitution, with a view to promote efficiency and popular control of government"; the tiny Arnold Foundation, which gave $200,000 to Southern Methodist University to "train young men as civic leaders and for study of problems of citizenship"; and the Woodrow Wilson Foundation, with its awards for "meritorious service to democracy, public welfare, liberal thought or peace through justice."

The same 1938 directory noted that city and regional planning was of interest to the Buhl Foundation, the Davison Fund, the deHirsch Fund, the Emery Memorial of Cincinnati, the Phelps-Stokes Fund, the Rockefeller and Russell Sage Foundations. Law and legal aid were concerns of the Commonwealth Fund and the Davison Fund. The Lavanburg Foundation, exclusively concerned with housing, had made its appearance by that time. Six foundations were listed under "race relations": the deHirsch Fund; Duke Endowment; Harmon Foundation; Phelps-Stokes Fund; Rosenwald Fund; and the Southern Education Foundation, newly created through the merger of the Peabody, Slater, Randolph and Rural School Funds.

The post-World War II years brought a new set of foundations into the sensitive areas of race, civil rights, equal opportunity, and poverty: the Field Foundation, the New World Foundation, the Stern Fund, the Taconic Foundation, the John Hay Whitney Foundation, the Norman Foundation, the Irwin-Sweeney-Miller Foundation (Columbus, Indiana), and the Zale Foundation (Dallas). All of them encountered criticism. But The Ford Foundation's massive entry into public affairs in the early 1950s aroused national concern about the propriety of using private, tax-exempt money to intervene in public matters. (The Walsh Commission investigation of the Rockefeller Foundation had created a minor flurry just before World War I.) Ford trustees announced in 1950 that one of the foundation's five principal missions would be "to secure greater allegiance to the basic principles of freedom and democracy in the solution of the insistent problems of an everchanging society." Special concerns would include protecting freedom of thought, inquiry and expression; maintaining democratic control over concentrations of public and private power; strengthening political and governmental processes, the rule of law and the administration of justice.

For two years Ford's public affairs grants were mostly limited to scholarly research, professionalization of public administration, and citizenship education;

they evoked little comment except for their size. But when in 1953 – with McCarthyism on the move – Ford made its $15 million grant to establish the Fund for the Republic to deal with civil liberties, the cry went up in Congress and elsewhere of unwarranted and possibly subversive uses of private philanthropy. From then on, shotgun blasts first aimed at Ford began spraying all over philanthropy.

Actually, except for the Fund for the Republic, Ford's public affairs program remained throughout the 1950s a generally cautious enterprise: mostly grants for research and education, with an emphasis on public administration and law. But other more assertive programs were incubating. They had to do with the human problems of urbanization – matters of growing public concern to both those of wealth and poverty. By 1960, the foundation had gone beyond research and in company with a number of school superintendents and mayors was heavily involved in what the new Kennedy Administration in Washington speedily translated into a national War on Poverty.

Public Affairs Philanthropy in the 1960s

Social protest, responding bursts of political liberalism, sustained economic growth, and mounting threats of urban violence – all combined to ignite a new mood of urgency and risk-taking in American philanthropy during the decade of the 1960s. Public affairs activity burgeoned, some under duress, much of it a release of idealism and energy long constrained within corporate and foundation bureaucracies.

Various sets of data compiled after the close of the decade describe that philanthropic surge in more factual terms:

First: A special edition of *Giving USA* was published in 1970, covering "facts and trends" over the preceding 10-year period. It included some rough but relevant indicators:

- Giving in the "Civic and Cultural" category increased from "an unknown quantity" in 1960 to 5 percent of total philanthropy in 1969.
- An increase in foundation grants for welfare was attributed to "a growing concern for minority and urban problems."
- The share of community foundation giving for "civic improvement" rose from 4.6 percent in 1959 to 15.6 percent in 1968.

Second: The Conference Board's 1972 Survey of Company Contributions (including direct corporate giving as well as company foundation grants) displayed a 13-year trend of giving for "civic" and "cultural" causes. These categories were not separated until 1965. In 1959, this dual category accounted for 2.9 percent of corporate contributions; in 1962, 5.3 percent. Thereafter "civic causes" alone attracted the following shares:

1965	5.8%
1968	7.2
1970	8.1

Assuming that "civic causes" accounted for half the 1959 share of 2.9 percent, corporate giving in an area roughly equivalent to "public affairs" experienced a five-fold increase during that decade of philanthropic frenzy.

Third: A review by The Ford Foundation of its giving patterns over the 11-year period 1960-1970 showed that

- 18.2 percent ($1.5 billion) of the foundation's total domestic resources went for the exclusive or predominant benefit of minorities and other disadvantaged groups. The proportion reached a high of 40.1 percent in 1970.
- The category "Government and Public Policy" accounted for an average of 5.5 percent during the first 6 years of that period; during the last 5 years, the annual average rose to 12 percent, 1970 being the high point at 17.4 percent.
- Community development absorbed an average of 3.7 percent during the first 8 years, 9 percent during 1968-70, reaching a high of 13.1 percent in 1970.

Fourth: A tabulation we made of giving by a dozen selected private and community foundations[6] over the 11-year period 1963-1973 showed similar trends. The combined total *number* of public affairs grants (as defined in Chapter I) nearly doubled over the first half of that period, then continued to increase through the rest of the decade. The years of most noticeable increase were those marked by the riots in Watts and later in Newark, Detroit, and elsewhere throughout the country.

A Note on Current Trends

The high water mark in the tide of public affairs giving, *in dollar terms*, seems to have been reached in the early 1970s. Signs are that the tide is beginning to recede. If so, then one could speculate about reasons.

The obvious – and we think the most powerful – factors are economic decline and the dwindling resources of private philanthropy. With precious few exceptions, those who give in American society are carefully counting their shrinking dollars. Rapid inflation is masking the abruptness in this downward trend; dollar totals may be sustained but not the real values they represent.

We have not seen much factual evidence to suggest that the *share* of private philanthropy devoted to public affairs is significantly declining. Despite the oft-burned fingers of philanthropists who moved closer to the social fires in the 1960s, and their outcries when burned again by the Tax Reform Act of 1969 and in the accompanying bonfire of public criticism, there seems to be steady and even rising acceptance of the private role in public matters. *Giving USA 1974* reports that "civic and public affairs" held its own in 1973 (2.4 percent of total giving), and that

- almost 10 percent of corporate contributions is for civic and public affairs, an increase over 1968;
- giving by large general-purpose foundations is up, although community foundation distributions dropped from 15.6 percent to 11.7 percent during the five-year period.

The Conference Board's 1972 Survey of Company Contributions showed a continuing rise in the share going to "civic causes," from 7.2 percent in 1968, to 8.1 percent in 1970, to 9.1 percent in 1972.

Rather than any shift *from* public affairs giving and involvement, changes do seem to be emerging *within* that category. Our sampling of a dozen private and community foundations, for example, picked up a trend toward law enforcement and the administration of justice; also, community economic development, citizen advocacy, and private responsiveness to public needs. There are signs, too, of shifts within groups benefiting from philanthropic efforts to bring them up to social parity; the cause of women, children, and other-than-Black minorities is clearly being attended to.

But the more substantial changes are not quantitative. They lie in the new attitudes among public affairs philanthropists — more world-wise and world-weary than they were in the 1960s, less certain, less affluent, but still willing (or at least knowing they have little choice but) to contend with the ever-more-rugged realities and imponderables of public issues.

But on the edges of this perhaps grayer mood, there are glints and flashes of another — a restlessness to move philanthropy away from its traditional ties with established wealth and its reliance on primarily bureaucratized solutions of public problems. The close alliance of wealth and professions (both private and public) that recent philanthropy has encoraged may well be coming under historical review. More and more, certainly accelerated by Watergate, private philanthropy seems to be emphasizing its freedom to operate as an independent social force.

III

THE LOGIC AND COUNTERLOGIC OF PHILANTHROPY'S ROLE IN PUBLIC AFFAIRS

Introduction

In its work in public affairs, private philanthropy takes on what is the most ambitious and sensitive of all its roles, inherently the one with the highest risks and payoffs. Private philanthropy is saying explicitly that it wants to improve (and therefore alter) the process of government itself; to expand the number and variety of those who participate (minorities, private institutions, and the general public) and therefore affect the present structure of power; and to illuminate public issues, thereby influencing how the public sees those issues and decides what they and their governments should do about them.

Whether it is wise and proper for philanthropy to play that ambitious and sensitive a role could be debated forever in the abstract. The resolving fact of the matter is that private philanthropy long ago assumed and/or was given that role and, despite chronic distrust and periodic congressional review, has always been accepted in it.

In that more pragmatic view, there are two straightforward questions that need answering: *First*, "What is there in American need, tradition, and circumstance that allows and encourages private philanthropy to play that role?" *Second*, "Why has there been such continuous resentment, and so many second thoughts?"

The Logic of Private Philanthropy in Public Affairs

Given the values on which American society is based, it would have been — and still is — almost impossible to bar philanthropy from such a role. When it contributes to public affairs, private philanthropy is doubly on the side of virtue: First, it is "fulfilling the obligations of good citizenship" in a society that prizes what can be done without resorting or adding to government. Second, it acts in the name of goals and aspirations the entire society holds dear. Each of the four purposes listed earlier are phrased in what is essentially constitutional language and can be recited in perfect cadence with the American political creed. Which is unquestionably a principal reason why it has been so difficult to sustain a political assault on philanthropy: a critic can easily attack a particular grant or misdeed, but to escalate that into prolonged and general warfare pits him/her against civic virtue and the American way of getting things done.

Once in, private philanthropy has become so benignly suffused (critics would say "metastacized") throughout American public affairs, that it would be impossible – for a formidable variety of reasons – to root it out. Even the most hostile legislator, enraged by some particular philanthropic sally, is quickly reminded of another ten instances of private giving that benefited him, his constituency, or others he respects and/or is beholden to. Then he and/or they start having second thoughts. Similarly, government and the allied network of semipublic institutions (research, community development, public broadcasting, and the like) have become so "interdependent" on the flow of private giving that they cannot for all practical purposes disengage.

More positively, both government and citizenry (always, everywhere and more than ever now) seem to need the reinforcing effects of a relatively independent third force. Private philanthropy, along with the press, the academic and other *pro bono* members of the "Great Estates" have been drawn inexorably into that otherwise vacuum: "if they didn't exist, they would have to be created."

The many facets of the role played by private philanthropy call for extraordinary versatility on the part of any one philanthropy and immense diversity among philanthropies. They include acting as

1. Society's catalyst: Public affairs in a democratic society – certainly a society as sprawling and as decentralized as the American – is always an exercise in putting things and people together. Private philanthropy fits the specifications of what is needed in that setting to get things done – often without spending a cent. (The scent of possible giving is in many respects more influential than a grant once given: before a gift, *everyone* hopes; afterwards, only the recipient may be happy – and as often as not, will still harbor the resentment of being beholden.)

All philanthropists play this role; the more astutely they play it, the more effective they are. If examples are needed, one can look to the quiet but powerful impact the Association of Trusts and Foundations has had in Kansas City; the Dayton and Hudson families in Minneapolis and Detroit; or the philanthropic extensions of the "39th floor" in Pittsburgh. A log of a philanthropist's travels and a reading of his lunch (and expense) schedules is probably more revealing of the catalytic role than any listing of grants made. Donors can pass this power along to their grantees; their designation carries influence, and the granting of funds increases the availability of what is known in the trade as "glue money" – that is, discretionary funds that can be used to coordinate and compound the usefulness of other resources.

2. Curator and communicator of the public lore: Few in society have the philanthropist's freedom to prowl the entire domain of public affairs – or the money giver's magnetic draw on fragments of critical knowledge – or the benefactor's ability to survive through shifts of public mood that make other public affairs participants so transitory. As a result, the philanthropist – even more than his money – becomes a precious asset, an extremely useful and often critical switching station in the network of information and knowledge about public affairs.

3. Government's partner in a myriad of supportive, non-threatening ways: sharing the costs and often the aggravations of what otherwise would totally be a governmental burden – whether in urban renewal, administrative reorganization, or the everlasting war against poverty. Cooperation of this sort is usually described and negotiated in positive terms – that is, the mutual and public benefit that will come of it. But it can also be tinged with the negative; sometimes knowingly, sometimes unwittingly, private philanthropy is drawn into serving as

4. Government's "pain child": absorbing the anguish and blame that goes with doing what has to be done, trying something new when political reality rules out everything that's been tried before. America's mayors used a willing philanthropy that way when overwhelmed by the social cataclysm of the 1960s; Ford's "gray areas" program gave these beleaguered officials a prestigious and comforting alliance when propelled by social change into the minefields of proverty and racial conflict. So, too, President Eisenhower, as he came to the end of his tenure, sadly recognized the nation still was without an inspiring set of goals – and that Congress was too much of a partisan mind to allow him to frame such a document without a phalanx of private support ready to share the ardors of thought and persuasion involved. In that instance it was the President of the United States who asked private philanthropy to help. As often as not, it is by some such public initiative[7] that private philanthropy gets drawn into its other public affairs postures as

5. Government's and society's incubator of new ideas and processes: Two illustrations: reform elements *within* New York City's law enforcement and judicial system (with many others, including a justice of the U.S. Supreme Court) welcomed the entry of the Vera Institute of Justice as precisely the instrument they needed to devise more efficient and enlightened ways of handling arrests, arraignments, bail, detention, sentencing, the entire sequence of the administration of justice. Vera's extraordinary success is due to that welcome, plus its own astuteness in respecting the role of invited partner, sharing ideas, credit, and blame with those public agencies it became allied with.

It was that same kind of innovating partnership that Governor Sanford established during the early 1960s by suggesting and then helping create the North Carolina Fund as a public-private venture for solving social problems. Support for the fund came from both private and public appropriations, national, state as well as local – voted by conservatives and liberals alike, Blacks as well as whites. That extraordinary coalition found common ground on one very compelling perception: social forces were moving faster and demanding a more rapid inventive response than the state and its local communities could immediately muster through existing governmental mechanisms.

6. Government's and society's "passing gear": The North Carolina Fund is obviously a case in point – there are times when society and its governing institutions need an extra burst of speed if they are to avoid being smashed by some unexpected force hurtling at them out of the future, or simply getting caught forever in slow traffic. If another example is needed, one could cite the long history of philanthropy in Pittsburgh's civic development. Corporate, individual, and foundation support (Pittsburgh Plate Glass, Alcoa, the Mellons, and many others) long collaborated with city hall both in extemporizing responses to unexpectedly rapid social change and in moving out ahead of lethargic public handling of urban obsolescence.

But just as often, private philanthropy finds that its contribution to better government is not all that amicable.[8] Logic and circumstance then compel it to play the role of

7. Government's and/or society's conscience, gadfly, judge, measuring rod, competitor, even "slow-it-down": After nearly a generation during which private philanthropy's dominant posture has been that of government's friend and society's accelerator, there's a noticeable shift – even and especially among those thought "liberal" – toward monitoring governmental performance and drawing protective boundaries around individual rights and privacy. The result may be more governmental activity (the demand for performance); it may be less (elimination of snooping). The driving motive is to make government at once more effective and less threatening – an interesting twist that may pull the left and the right wings of private philanthropy toward common ground.

It could also make private philanthropy's role in public affairs again more controversial. In this arena – where hard things have to be said, adversarial positions taken, some constituencies chosen and others offended, minority interests protected, and the status quo constantly scrutinized and often challenged – the private philanthropist cannot remain noncommittal or obscure.

The growing trend toward the role of critic would seem to indicate, again, that more than passing fancy and personal whim are involved; rather some logic in the times and social needs.

Nearly all the contributing factors are illustrated in the role private philanthropy has come to play in educational television and public broadcasting. Scores of private millions (prominently from Markle, Ford, and Carnegie) have poured into classroom use, quality programming, basic and applied research, and the development of what has come to be known as "The Fourth Network": a fast-gaining alliance of public and nonprofit radio and television stations which is more than nibbling at the edges of commercial network dominance. Participation in that development has not been a Sunday School picnic. Major battles have been and are being fought, with private philanthropy often pitted against commercial interests and partisan preferences, especially in shaping the policy of the Corporation for Public Broadcasting. The issues center upon who sets the level and standards of programming, with what audience in mind and with what competitive impact. Meanwhile, private philanthropy (Church of Christ; Stern, Ford, and Rockefeller Family Fund) is also supporting litigation by citizens who are intent on monitoring and affecting the action of regulatory agencies responsible for renewing or not renewing the broadcasting licenses of commercial stations.

The more that private philanthropy finds itself drawn into these turbulent environments, the more important and difficult it may become to fulfill the last, and most demanding, of its public functions:

8. Symbol of reason, impartiality, statesmanship – the "Good Housekeeping Seal of Approval": There is a powerful American – perhaps human – need for some standard, some force or expression of view that transcends the jungle warfare of partisan interests, that says something noble about the human experience, and removes some of the anguish of uncertainty. That may or may not always be a healthy expectation, but it is there – and as anyone knows who has played the money giver, it probably contributes more to philanthropic influence than cash itself.

That quest for the ideal, and the readiness "to believe" that an ideal may have been realized, is implicit in nearly every philanthropic entry into public affairs: an award to a "truly" deserving public servant; designation of a pilot project that will set "new standards of efficency" in public management; an experimental program that must surely be "at the cutting edge"; a report of a study commission on monetary policy that at long last gives the general public a conclusion it can rely on. After all, "the best of thought and virtue has gone into the process, and there's no self- or partisan interest involved."

It's that implicit hope and standard that gives philanthropy so much of its leverage and acceptance. And drives critics and skeptics up the wall.

Counterlogic and Resistance to Private Philanthropy's Intervention in Public Affairs

Even though private giving has become an accepted part of the American tradition, it constantly has to contend with endemic distrust, regularly runs into opposition, and periodically gets upended and spanked by the public's legislative representatives. Why?

At a political level, private philanthropy has long been resented as the tool of the moneyed interests, especially the too-liberal "Eastern Establishment." Fires of this criticism are not easily stamped out; they burn deep in the Populist tradition, and as political critics have found out (Walsh, Cox, Reece, and others) they can readily be fanned into blazing public investigations.

Much of the bias and iniquity charged in these investigations has been disproved, contradicted or at least counterbalanced. (The defense may have proved too much by its oft-repeated showing of how conservative most of private philanthropy really is.) And in every criticism, every investigation, there are very particular reasons for launching general charges: anger at the Eastern phalanx that helped Eisenhower win over Taft; at banking interests who purportedly dominate the nation's economic policy; at "Philadelphia lawyers" and their wealthy clients who found clever ways through the tax laws to do well while doing good; at quickwitted Ivy Leaguers charged with giving subsidized shelter to friends while invading, with newly registered voters, the political sanctuaries of incumbent politicians.

These touches of the partisan and particular cling to more basic concerns that can't so readily be written off as personal whim or regional sentiment, namely:

Private philanthropy is easily pictured as elitist and irresponsible, too much so to be allowed to influence the process of government and the consideration of public policy – or for that matter, to act as the tribune of the people and the champion of the forgotten and oppressed. For those who believe in a public role for private philanthropy, this is an uncomfortably difficult charge to rebut. Robert Greenleaf has pointed out that private foundations are among the few institutions in America that don't have to meet the test of a market or voting constituency; moreover, all forms of philanthropy owe their power ultimately to the simple possession of wealth. Politicians can't resist asking of a philanthropist: "Who elected you?" And the citizen who is not privy to the councils of the money givers will argue the difficulty and inequality of access and participation.

Both politician and citizen have another spur to resentment and distrust. In the everyday of life and politics, there is no legitimate shortcut to power, no easy way around the laborious process of incremental progress and negotiated consents. Private philanthropy leans toward the opposite: the heroic, the unconstrained, the quantum leap. There's something about all that that doesn't seem real, and if it isn't real, it's not to be trusted.

Not surprisingly, therefore, corporate philanthropy probably has more acceptance for its conservatism in public affairs than less attached individuals and foundations for their willingness to risk and innovate. It is not simply stockholders who oppose the diversion of otherwise distributed profits. The general public knows there is an identifiable self-interest at stake and a predictable calculus by which corporations discipline their giving. But that does not wholly exempt them from popular distrust, or from the other criticisms which follow.

Private philanthropy, especially "the liberal wing" but inherently all of it, is inflationary – of public hopes and ultimately of public budgets. Political conservatives have long argued this was the cardinal sin committed by maverick men of wealth and foundation bureaucrats. Now, as influence dwindles, the uneasy sense is spreading that philanthropy – rather than easing the strain on public revenues – may be adding to them. Not simply because they "dodge" and thereafter reduce taxes. But because they constantly "find" new public needs and "arouse" new demands to meet these needs. Even conservative philanthropy leads in that direction: for example, corporate contributions to downtown revitalization that creates demand for increased governmental spending on highways, pedestrian malls, and re-housing; or a private initiative to build a private facility that wasn't coordinated with public plans and sooner or later had to be rescued by public spending.

More subtly, philanthropy has tended to get involved with public executives more than with legislators. Not only has that created a natural hostility among legislators; it has also put philanthropy more often than not on the side of that branch of government that (in the past, at least) has taken the initiative in spending and got more of the credit for it.

Private philanthropy, after all, is just another form of human endeavor: as fallible, as inefficient, as faddist, as opinionated, as capricious and as unreliable as the governmental process that it presumes to affect. A lot of people experienced in philanthropy, and many of them its friends, will sigh: " . . . and that's the truth!" A chronic complaint against private giving is its instinct to "kiss-and-run"; and there are a host of abandoned victims of beguiling seed money and start-up grants which led to nothing more. On the other hand, hard-pressed legislators and executives just as often fear and charge the opposite: that privately financed "experiments" lead to inflated budgets, high unit costs, and pressures to increase governmental spending that are extremely difficult to resist.

Probably the most serious offense, to fair and serious-minded observers, is the illusion which private philanthropy can create that it is providing fundamental solutions to equally fundamental problems. "A pilot project," a study commission report, a headlined partnership of businessmen and government to rebuild the downtown and provide minority employment often end up as only that, no more than public dreams and distractions. Which leads to a fourth major criticism:

Private philanthropy is wasting its potential; has it really earned the tax benefits that have been showered upon it? Waldemar Nielsen has spoken this complaint against the big foundations. The cautiousness of private philanthropy generally was documented by the Peterson Commission "self-survey"; the self-centeredness of corporate giving is not only acknowledged, but is more and more being articulated (and legally required) as an operating rule. For an institution that presumes to be society's conscience, gadfly, critic, and innovator, private philanthropy's performance (even friends and practitioners will admit) has generally been less than bold. Even if that judgement is not accepted (and many would judge cautious giving a virture), there is hard evidence that philanthropic potential is wasting. The corporation that gives its full allowance of 5 percent before-tax profits for charitable purposes is a precious rarity; the average percentage for all American corporations has never reached far beyond 1 percent and within the last few years has fallen below 1 percent. The Tax Reform Act gave further evidence of unused potential. Its reporting and payout requirements flushed thousands of trusts and foundations out of hiding and hibernation, and eventually may goad them into putting up or closing down.

Finally, private philanthropy — far from being a model of all that is righteous, reasonable, and above politics — is arguably a "tax dodge" with its own grubby self-interests and inherently incapable of serving as a nobler symbol. Tax incentives and loopholes have played an undeniably large part in the growth and practice of philanthropy, in some cases, egregiously and illegally so. There is always the temptation by the donor to use giving, especially in public affairs, for personal or institutional advantage, all the way from doing favors for public officials to buying the public's goodwill and preparing the ground for somebody's entry into politics. More subtly and universally than that, the prejudice of self-aggrandizement and preservation, and especially the approval of one's peers, powerfully affects the calculus of giving, even in the most scrupulous of philanthropists. Disappointingly, in view of its own pretensions and the public's expectations, private philanthropy has done little to police its own practice or to help government frame reasonable public regulations. The Tax Reform Act of 1969 — which produced philanthropy's code of conduct in public affairs — came at public rather than philanthropic initiative.

At a deeper and philosophical level, there's an even more haunting question: Is money the answer to the fundamental questions that modern society is wrestling with? Does it distract from, and even corrupt, the less material and bureaucratized approaches that now seem so essential? King Midas is a chastening reminder.

IV

THE TAX REFORM ACT OF 1969, AND AFTER: "BRINGING LOGIC AND COUNTERLOGIC TOGETHER"

In retrospect, Representative Wright Patman's determination to bring the practice of private philanthropy under public scrutiny and legislative reconsideration was something even philanthropy should be grateful for. Despite the hostile climate of the House Ways and Means Committee hearing, and the punitive overtones of the legislation which ensued, private philanthropy was confirmed as a legitimate and tax-favored instrument of social action on the American scene.

Moreover, it was given a charter that on balance it could live with and profit by. True, that's not the way most of philanthropy read the Act at the time; there is language in the Act that if harshly interpreted and applied could be devastating.[9]

But the significant fact is that the law has not been harshly interpreted and applied; by and large, even private foundations – that part of philanthropy most tightly circumscribed by the Act – seem to have taken the new legislation in stride and remain free to play, if they choose to, an assertive role in public affairs. If the spirit is willing, there are no overwhelming deterrents. If the spirit is otherwise, the Act can be (and has been) cited as further reason for a conservative posture, a cautious role.

TRA's Impact on Philanthropic Practice

The Tax Reform Act did make some substantial changes. Rather than review them as lawyer and scholar might, it would be more relevant here to go over these changes as a philanthropist would in a realistic assessement of his/her current ability to play an influential role in public affairs. As one seasoned practitioner of the art has ranked them, the capacity of philanthropy to be of influence (be it good or bad) builds on the following activities, in descending order of potency.

1. Relations and Communications with Public Decision Makers: knowing who in the maze of public decision making is critical in what way and at what stage; being friends with that person or belonging to the same club; doing what that person likes (including keeping a respectful distance, if that's the code); helping his/her favorite causes; maybe saying "No" to what and whom that person doesn't like; coming to his/her rescue; even the extreme of doing relatives and friends a favor. The range is from the unavoidable to the contrived, from earned respect to curried good will, from the wholly proper to what is patently unethical and sometimes illegal.

The conduct of philanthropy isn't generally discussed in these terms. (Pat Buchanan's testimony before the Senate Watergate Investigating Committee and his Memo to the President on "friendly philanthropy" are extraordinarily crude and revealing exceptions.)[10] But Congress in 1969 knew these facts of life and set about laying some groundrules of legality.

Following the Tax Reform Act, philanthropists can no longer retain public officials as consultants, send them on paid junkets, or (except under carefully prescribed circumstances) pick up their expense tabs. Lobbying and uninvited button-holing of legislators are generally proscribed, almost totally so in the case of private foundations ("self-defense" is still legal). Private foundations are also held responsible for making certain their grantees (those which don't qualify as having broad public support) do not commit any of these offenses either. As a final filip, Congress made certain (by carefully circumscribing grants to individuals) that foundations would think long and hard before rewarding congressional aides or others on sensitive public payrolls.

The constraints on lobbying have been seriously questioned on constitutional grounds, principally as an infringement of free speech and [illegible] right of any person (including corporate bodies) to petition for redress of grievances.[11] The ban perpetuates what has long been claimed an inequitable burden on public interest and advocacy groups which find themselves pitted against corporate and other interests whom the law permits to lobby with money not subject to taxation.

The constitutional issue is an important one, and it should be speedily tested and resolved. But few practicing private philanthropists claim they have found their public affairs activity significantly affected by the new provisions. Philanthropists and their grantees continue to mix with public officials, report few problems of not being able to talk things over or be heard. But there is a new and healthy sense of more carefully watching one's step and minding both the law and the proprieties. Also some ingenuity: the Public Education Association (New York City) has kept its 501(c)(3) status – but helped launch a tax-exempt (though not tax-deductible) 501(c)(4) counterpart organization with greater freedom to state its opinions and press its cause on both legislative bodies and the general public.

2. Voter Registration: Votes are the going currency in public affairs; adding new and different ones to existing rosters directly affects who will govern, how and for whose benefit. Congress obviously knew that and went for the jugular: early drafts of the tax reform bill would have barred philanthropy from having any part whatsoever in registering voters. But again, a categorical denial of philanthropy's role softened under a rain of contrary pressures and existential logic: there were legislators who had friends in the business as well as enemies; and registering voters is an act of good citizenship that publicly no one can deny.

The result was an apparently livable compromise: voter registration is still permissible *if* it doesn't focus on a single jurisdiction (at least 5 must be included) or a specific election, and *if* the project has funding from at least 4 different sources, no one of them giving more than 25 percent. For a while, until regulations were issued and some of the smoke of battle cleared away, philanthropy paused in its support, but now is back at it again. The Ford Foundation, which provoked most of the storm by its grant in Cleveland prior to 1969, has recently contributed toward the Urban League's registration campaign in 10 selected cities, and renewed its carefully allotted share of support of the Voter Education Project in the South.

Again, private philanthropy has become more circumspect, as a new general rule keeping a considered distance away from the more explicit forms and more volatile stages of political combat. But staying close enough to make a difference.

3. Litigation: One case, carefully chosen and researched, can make general law and public policy. Gradually but still cautiously, private philanthropists are being drawn in their grant making toward litigation as one of the most potent and direct means of accomplishing their principal public purposes. Again, the passage of the Tax Reform Act for a while cast doubt on the permissible limits of private foundation support; and for a year or more, foundations retired from the scene to reconsider policy. Grants were resumed, but most of them with conditions that showed the new (or simply confirmed) caution and political sensitivity of the donors. The Environmental Defense Fund, one of the "blue chips" of the citizen-advocate groups, was asked to appoint a bipartisan, equally blue-chip panel of lawyers to monitor the selection and litigation of cases. It was also encouraged in its move toward broad-based support (50 percent of its $1.3 million budget now comes from direct-mail giving), thus ensuring not only a spreading of philanthropic risk but also the fund's status as a "public charity," which relieves any contributing private foundation of direct liability – "expenditure responsibility," to use the warning words of the Tax Reform Act.

The net judgement on TRA's effect, therefore, is that litigation is still available to those (still very few) philanthropies that are interested in supporting it.

4. Research and Inquiry: Research is probably too pedantic a label to indicate the leverage private philanthropy can achieve by financing inquiries into any and all

facets of the public's problems and government's response. But Congress was acutely aware of that power, and in 1969 took a hard look at whether and how that power ought to be constrained. (The Brookings Institution got a special going-over, both for its alleged bias and for the manner in which its staff related to Congress.)

The safeguards agreed upon in the Tax Reform Act were imbedded in a number of ominously elastic phrases, among them the requirement that research must be "nonpartisan." Linked with the prohibition against efforts to "influence any legislation through an attempt to affect the opinion of the general public," the safeguard could easily be welded into a chain that would completely hobble privately funded studies on any topic of public concern.

Given the hazards of the law's ambiguities, a close watch is being kept on enforcement of these provisions. Early impressions are that the Internal Revenue Service is monitoring foundations and their grantees carefully and has already moved to take away tax exemption from several organizations (for example, Texas for Educational Excellence) who have offended. On the other hand, Treasury regulations have been moderately written, and relatively few donors and grantees have experienced great difficulty in adjusting to them. As one philanthropist put it, "... make sure you check everything first with your lawyer, and then (a) give the arguments on both sides before you draw your conclusions; and (b) see to it there are as many Republicans as Democrats on your Task Forces, commissions, and advisory boards."

Presumably, experiments and demonstration projects are covered by the same provisions. Given the hue and cry over The Ford Foundation's part in the New York school decentralization project, they undoubtedly were meant to be.

TRA and the Question of Public Accountability

Members of Congress in 1969 were clearly troubled by what they and so many others have come to see as philanthropy's escape from public accountability. The Tax Reform Act reflects that concern, not only in its many detailed provisions, but more fundamentally in the dichotomy it created between "private foundations," on which it is tougher, and "public charities" (including community foundations), to which it gave more latitude. The critical difference between the two groups lies in their greater or lesser distance from public participation and control. Private foundations derive their support from one principal source, and operate as closed corporations. Public charities have a broader financial base, and in that and other ways are deemed responsive to a broader constituency.

The distinction seems to have had some very immediate effects. (1) Many organizations that did not qualify as "public charities" quickly set about acquiring the broad-based support and other characteristics needed to qualify for more favored treatment. (2) Community foundations appear to be in a better position to obtain new bequests than their private counterparts. (3) The birth rate of private foundations seems to have dropped since 1969 (causing one observer to question whether the private foundation is now an endangered species). (4) A number of business corporations (one of them, Chase Manhattan) promptly disbanded their foundations; an increasing number of others (even while retaining their foundations) are doing more of their giving directly on corporate account. "It's just too much of a hassle doing it through the foundation." This pattern also moves corporate philanthropy back toward more comfortable ground: the direct relevance of a contribution to the corporation's business.

More important than these immediate effects is the concept that gives rise to the distincition: namely, that *more trust and latitude can be given to those who are more widely accountable.*

More of that theme is likely to be heard in the coming days of private philanthropy. The nation accepts private philanthropy and its right to particiate in public affairs; now Congress seems determined to democratize philanthropy and make it more publicly accountable.

V

AFTER 1969 – AN INTERMEDIATE VIEW

Since 1969, public review of private philanthropy seems to be shifting rapidly from a sporadic to a continuous process – through both Congress and the IRS. As this happens, the questions asked are becoming more informed, less exotic (Communists aren't mentioned any more), still sharp and ever more exacting.

One theme persists: legislators remain wary and watchful of any philanthropic action that is seen to challenge them in their struggles to gain and preserve power and to control the level and direction of public spending.

Control of public expenditures has now become an overriding concern. With inflation speeding up and resources scarcening, the goal will be to keep expenditures down and taxes for the voting majority as low as possible.

To the degree that philanthropy helps stretch the public dollar and eases the general tax burden, it will probably operate in a friendly political climate. To the extent it is seen as a wasteful, whimsical, or elitist way of using money which might otherwise be taxed and made available to reduce governmental levies and deficits, private philanthropy will be running into rough political weather.

How philanthropy plays its diverse public roles will be powerfully determining. Prudence argues for a compliant posture and a low profile. But another logic – the urgency and complexity of current problems – calls for a quickening of philanthropy's more assertive qualities and functions: as innovator, monitor, and gadfly.

This tension is a familiar one; and the way it gets worked out in the next decade will probably show the same genius for diversity within philanthropy and the same art of compromise among legislators that has long kept private giving alive and well in American public affairs.

Debate and compromise will probably center on three principal issues:

Issue #1: Should the congressional charter of private philanthropy (The Tax Act of 1969) be rewritten in more affirmative terms, to encourage greater and livelier use of American philanthropy's potential?

The Tax Reform Act of 1969, as pointed out earlier, emphasized the negative and has generally accomplished its disciplinary aims. Private philanthropy knows that it can and will be held publicly accountable; the sins of philanthropy have been defined, and a goodly number of sinners have been named and penalized.

The question now is whether a chastened philanthropy and a sophisticated public would both stand to gain by switching from negative to positive. Specifically:

a. Should some of the Tax Reform Act's harsh and ambiguous language be rewritten? The delineation of "lobbying" and "influencing legislation" is especially important. The easier of two alternatives is for Congress to amend and clarify the law while continuing to discriminate against private foundations by barring them from spending *any* part of their income for lobbying or other public and persuasive expression of their views. A bill[12] already approved by the House Ways and Means Committee would give 501(c)(3) charities *other than* private foundations a quantitative measure of what they might legally spend for legislative and related activities – thus defining more exactly what is allowed under the rule that "no substantial part" of a charity's resources shall be spent for such purposes.

That bill does not address the more controversial choice: whether the greater latitude given under the "substantiality" test should be restored for private foundations as well. Congress' seeming lack of readiness to take that course may suggest the likely answer to an even broader question:

b. Should private foundations be released from the penalty box the Tax Reform Act ordered them into and allowed to resume full play? The role of private foundations in public affairs has been critical: the more innovative and challenging grants usually come from their sector of private philanthropy. But so do those most likely to stir legislators to wrath. Inevitably, therefore, the question of tradeoffs is bound to arise – the most obvious ones having to do with the governance of private foundations and the tax advantages associated with them.

Generally, private foundations – if they want Congress to restore their "capacity to reproduce" and to operate with as much latitude, say, as community foundations – can expect to be pushed toward greater public access and participation, and away from donor control and self-perpetuating governance. They may also be "encouraged" to allocate more of their resources to areas of priority that have been publicly designated.

c. Should corporations be encouraged – or prodded – into taking a more active and less self-interested role in public affairs and other forms of giving? This question is as complex as it is timely; three subquestions are involved:

First, should corporations be encouraged to do more of their giving through their foundations rather than on direct account? Corporate foundations are treated as "private" foundations under the law; since 1969, there has been a noticeable shift away from using company foundations as instruments for public giving. That has avoided the "hassle" of all the Tax Reform Act's constraints; but it also cancels out some of the healthier effects – particularly the requirement of full reporting, and therefore a more open display of why, how, and to whom corporations gave for what they advertise as public affairs and similarly noble purposes. There is another critical factor involved: corporations, under other legislation, have much greater latitude in lobbying and "influencing public opinion" than do any of the foundations and charities coming under 501(c)(3) – and therefore are at even more of an advantage in making their "contributions" to public affairs.

But all this may not be so much a question of what instruments a corporation uses in giving as a critique of its style, motives, staffing, and reporting.

A second subquestion: should corporations be encouraged or prodded into contributing more of the 5 percent of pre-tax profits which the law allows them to deduct? The current giving level of less than 1 percent is far from impressive, far from the 5 percent which is allowed, and a far cry from realizing the full potential of corporate philanthropy. If truth be told, that level is set by an appraisal of corporate advantage and profitability rather than public need. If the tax incentive is to be justified, a clearer standard of public benefit needs to be raised.

Third, should there be a more generous statutory and administrative definition of what corporations can contribute for charitable purposes than what is immediately "relevant" to their business? Public utilities like the Bell Telephone system, to cite a more specialized example, face hard questioning, not only from stockholders but from regulatory agencies as well, which discourages giving beyond the line of identifiable corporate interest; and any gifts made (except in a very few states) "come directly out of profits" rather than being included as an allowable and less vulnerable cost within the rate base.

Again, Congress and other legislatures will be weighing possible tradeoffs when devising answers to each of these questions: on the one side, tax recoveries and tight restrictions on corporate abuse; on the other, a greater flow and perhaps more illuminating disclosure of corporate giving. The fact that most of that giving now goes for public affairs purposes that are usually seen as virtuous and non-controversial, and that more giving means less corporate taxes paid, may discourage any legislative thought of changing the present ground rules.

Taking an affirmative view toward philanthropy suggests other questions and possibilities:

d. Should the public intervene more directly in designating priorities for public affairs and other giving, and reflect those priorities in the scale of tax advantages offered to private philanthropy? As a concept, at least, some measure of public goal setting for private giving could help to resolve the nagging questions of accountability and efficiency (the fragmentation of private giving and its failure to achieve critical mass). It can be fairly argued that such a process might be particularly appropriate for corporate philanthropy, where there is not much venturesomeness to be lost and a lot of unrealized potential to be tapped.

There are very basic and practical reasons against public goal setting; it violates the spirit and purpose of independent choice. Despite the difficulties and hazards of moving in this direction, a counterlogic is already leading that way. Illustrative are special tax concessions for investments in housing and community development and limited tax credits for individual campaign contributions. In short, the dialectic is under way.

One line of resolution may already be evolving. It is exemplified in the logic, at least, of community foundations – not so much in their conventional mode, but in the form of "cooperatives": that is, open-membership organizations that raise the moneys they then distribute. The next progression is toward public funding of these open-membership philanthropies, through a process like "revenue sharing." A controversial prototype of this program evolved under O.E.O.'s Community Action Program; it has been moved a step further under subsequent community development corporations.

Experience with these prototypes has been stormy, but the logic and trend toward "democratized and decentralized philanthropy" seem tenacious.

e. Should other-than-cash contributions be given more encouragement? Most frequently urged is a tax deduction for the value of services contributed for civic and other charitable purposes. While there may be some good reasons for doing so, there seem to be even more formidable reasons against: volunteered services are almost impossibly difficult to value and account; there is a built-in class and occupational bias; and the potential for major "rip-off" is staggering. Still, legislative ingenuity may find ways of working safely at the edges of such problems; certainly, there is enough interest in non-cash contributions to encourage it.

f. Should public regulation of private philanthropy be more sensitive to philanthropy's special circumstance and need? For the most part, IRS interpretation and enforcement of the Tax Reform Act has been reassuring. Still, there have been some disturbing lapses (notably the partisan and arbitrary refusal to give tax-exempt status to the Center for Corporate Social Responsibility until ordered to do so by the court, following the Watergate exposures) and accumulating revelations of political misuse which give strength to the proposal for a specialized regulatory agency independent of IRS.

The proposal has particular significance for public affairs giving and for the peculiar kinds of philanthropic activity that are involved. IRS's primary interest in the recovery of taxes naturally raises the question whether a more specialized agency should be created to do the job. If so, presumably a private philanthropist would then be dealing more regularly and predictably with officials who not only know the "business" but were fundamentally appreciative of its habits and purposes.

But in the case of "public affairs," the proposal runs into the roadblock of an immovable fact: in this field, the ultimate experts and arbiters are the elected representatives of the people, especially those who legislate. And the questions they ask are only superficially technical. Basically, they are political – and currently they are concentrating on the extraordinarily subjective questions discussed below. A specialized regulatory agency could add more stability and professional rationality to the process of review. But it can never dominate or replace what is ultimately and inescapably a "political" function and responsibility.

Issue #2: Is the contribution of private philanthropy to public affairs worth the loss of public taxes involved in getting it?

Today, private philanthropy is being scrutinized for its productivity and efficiency, not its loyalty. But again, in this cross examination as in earlier congressional investigations, there are no easy or agreed upon definitions of what exactly it means to be virtuous.

One can start with the question of critical mass: assuming for the moment that *all* public affairs giving is helpful and efficient, is there a certain level of giving that must be attained before it "really makes a difference?" And, if so, how much of a tax concession is necessary to achieve it? There is no answer to the first part of the question that is discernible from experience; certainly none that can be agreed upon. Extremely large private outlays (as for example the $2 billion life insurance loan program in the ghetto, or The Ford Foundation's $250 million contribution to hospitals) pale into insignificance when measured against the public problems they are meant to solve. Yet sometimes tiny grants – or simply the posture or catalytic efforts of a single philanthropist who spends nothing – can leverage or block the achievement of monumental public goals.

Nor is it clear how much of a tax incentive is necessary to achieve any given level (or kind) of giving. Some of the most substantial public affairs giving has been done without tax advantage. Common Cause is tax exempt, but contributions to it are not tax deductible. And J. Irwin Miller went even farther in establishing Potomac Associates (a public affairs research and information center) as a corporation which itself is subject to full taxation.

A number of philanthropists interviewed in the course of this study said they regretted the mixing of philanthropy with tax considerations; so explicit a mixing of altruism and self-interest seems to make philanthropy in the public's interest a contradiction in terms. But none of those interviewed believed that present levels of giving could be sustained without tax incentives. "That's the way it is, and that's the way people are."

To sum it up, there is no way of giving a totally objective or definitive answer to the questions of private philanthropy's overall worth or efficiency, either when measured by its own aspirations or when compared with government's present or future capacity to do the same things with the same money.[13] Activities sponsored by private philanthropy and government are so randomly scattered over the entire range of "efficiency," and judgements of effectiveness and worth are so varying and subjective, that any conclusion is almost meaningless, except as it is associated with the power to act and decide. Merely citing examples of how many philanthropic endeavors turned out to be "good or bad," or more or less "efficient" than government's actual or hypothetical record in similar endeavors, sooner or later becomes an exercise in the interminable.

Another complication: for much of what philanthropy does, the question of relative efficiency is pertinent only to the degree that government is actually and not just theoretically capable of fulfilling all the roles that private philanthropy plays in public affairs. Especially its role as critic, competitor, judge, and adversary. In this perspective the value of private philanthropy lies not in its relative efficiency, but simply in the fact that it exists and is available to a public that chronically needs something more than government always and alone can provide. The most compelling line of defense for philanthropy's role in public affairs lies in asking the question, "What public loss would there have been if on that occasion, and in the general circumstance that case represents, the alternative of private funding had *not* existed?" And as feeble as private giving often is, it has to be judged in relation to the options (often including flagrant partisanship and corruption) that are available in real life – not simply in some speculative notion of the governmental process. That argument is believable to anyone versed in politics and philanthropy – but it should not be resorted to lightly. Rebuttal can sometimes be devastating.

Quantitative analysis has therefore to yield to the more qualitative. Answers then emerge as matters of judgment and the product of continuing public dialogue and legislative debate.

Issue #3: Is private philanthropy prepared to engage in public dialogue and deal with the gut-level questioning of its value and effectiveness?

Partly, this is a question addressed to government. Have adequate legal safeguards been given private philanthropy to defend itself against arbitrary and abusive action? There is evidence – some already noted – that critical defenses are lacking. Recent court cases, for example, indicate that charitable organizations may be hampered in contesting loss of tax-exempt status, by judicial interpretations of a federal statute against enjoining exercise of the tax power (Bob Jones University; Presbyterians and Other American United; U.S. Supreme Court, May 15, 1974).

For the most part, however, this is a question – and a challenge – private philanthropy will have to respond to. Has it done enough to police and develop its own profession? Has it carefully enough monitored and evaluated its own performance? In assessing public needs, selecting its own priorities, choosing and training its staff, taking stock of what it does, has it sufficiently considered the logics that run counter to private giving in a democratic society?

In an earlier period of American history, philanthropy might have led a more insulated existence, protected from rugged cross examination by its membership in the society of America's sacred cows. That is not the circumstance of today, if ever it was. The passkey to an effective role in public affairs is private philanthropy's readiness to speak directly, persuasively, and in everyday language to the blunt questions being asked by today's citizens and legislators who seem willing to listen but don't have much time or money to waste.

And as the dialogue proceeds, the outlines of an historic trend slowly emerge – of still another American institution being wrested from its origins in wealth to become valued and visible as an instrument of freedom and equality.

Concluding Note

There is unmistakable irony, and deep historic significance, in the dialogue now cresting between private philanthropy and the public.

Irony, because the public – whose governance and policy philanthropy hopes to improve – has decided that "turn-about is fair play," and is now taking a strong lead in correcting the failings of philanthropy.

The deeper significance lies in two emerging developments. First, the public and its legislators are becoming much more knowledgeable about private philanthropy and (though still speaking in negative language) more understanding and appreciative of the roles it legitimately plays in contemporary society.

Having arrived at that level of awareness, the public has begun to ask philanthropy and itself a more fundamental question: "Why, in a society that values equality of opportunity so highly, should such a vital process as the private allocation of otherwise-taxed resources continue to be so organically tied to private wealth? Isn't it time to democratize philanthropy and make certain – as we have with other vital process – of more equal access and participation?"

It may be too early in the evolution of a more democratic philanthropy to provide immediate institutional answers to that question. But certainly to the degree that private philanthropy engages in the public's affairs the question will become more explicit and insistent.

To give answer to that question, it's necessary to move a philosopher's distance away and consider philanthropy as an emerging element of America's social and political structure.

VI

THE BROADER CONTEXT AND THE LONGER RANGE

In fascination and frustration, Americans have begun teasing at the tangled mass of perceptions that represent what they know, don't know, and speculate about philanthropy's role in public affairs. They have decided that philanthropy has to be taken seriously, but are still unsure which knot of issues to pick at first, and where to go next.

This chapter tries to flag in sequence the issues and questions that seem basic. Its premise is that private philanthropy is an essential feature of American democracy, that it plays a distinctive role, and that the time has come to write that role more systematically into the ground rules of public problem solving.

The Language Barrier

Philanthropy has outgrown the capacity of its name and vocabulary to say what it means or to handle the discussion of what should be done about it. To paraphrase Gertrude Stein: philanthropy is not charity is not foundations is not corporate giving is not a donee is not a donor is not . . . etc. Like every growing and evolving organism, philanthropy has become progressively more complex and differentiated. But our descriptive language is still embryonic. One can see the pressures on that vocabulary to expand: a linguist could have a field day analyzing the outcroppings of conceptual need in labels such as "501(c)(3)," "public charities," "operating foundations," "the nonprofit sector," and the like.

It is ironic that philanthropy has not commissioned a Linnaeus. Instead, it has waited in anguish while tax lawyers developed governing classifications designed for other purposes – which tend, indeed, to constrict philanthropy's evolution rather than describe and grow with it.

The best way to begin the needed exercise would be, as the Filer Commission has done, to adopt "The Nonprofit (Third) Sector" rather than philanthropy as the generic title, and then to elaborate detailed classifications and terminology. Simply diagramming the conceptual territory the Commission has covered would be a giant step forward in marking out where and how the language of philanthropy needs expanding.

The Problem of Narrow Perspective: The Tax Peephole

It would be hard to explain to anyone from Mars (unless they pay taxes there, too) why it is that a comprehensive social process is governed almost exclusively by the law and concerns of internal revenue. The IRS code and perspective have generated most of philanthropy's vocabulary, ethical and legal canons, standards of eligibility, license to operate, systems of incentives, criteria of accountability, the agenda of fears and inhibitions and thoughts of what can and cannot be safely and properly done. More than that, even the agenda of change and reform has been dominated by tax considerations. No wonder that the most powerful caption on any financial appeal seems to be: "This gift is tax deductible." Nor that the most powerful sanction is the possible loss of tax-exempt status.

The point that cries out for recognition at this stage in philanthropy's development, especially in relation to public affairs, is that the philanthropic process, the workings of "The Third Sector," – needs to be looked at, aided, and evaluated from a much broader vantage point than tax policy.

That narrower perspective is not justified even by the numbers. If *all* federal tax incentives for charitable giving were removed, the nonprofit sector would stand to lose less than a tenth of its annual revenue. (Gabriel Rudney, in a paper written for the Filer Commission, estimates no more than $7 billion out of the sector's annual gross income of approximately $80 billion is induced by tax incentives.)

It is true that the public dialogue on philanthropy as carried on by the Ways and Means and Finance Committees of the Congress have steadily developed in breadth and sophistication; it is also true that "The Third Sector" (and especially the more favored institutions within it) would pay dearly for the loss of even that $7 billion.

Still the obvious conclusion remains: philanthropy in America is not simply a matter of taxes. The time has come to grow both a perspective and a framework of law and accountability to match its importance and potential. A significant step in that direction would be to create a permanent advisory commission on the nonprofit sector which – like the Council of Economic Advisers or the Advisory Commission on Intergovernmental Relations in the areas of their concern – would keep a steady and sympathetic eye on the health, performance, and needs of American philanthropy. It should not assume the enforcement responsibilities of the Internal Revenue Service, but should transcend the narrower concerns that that agency represents.

Question: Should Philanthropy Be Further – or at all – Associated with Favored Tax Treatment?

The nonprofit sector on current account is now "$7 billion deep" in the federal tax system – more so, if other forms and levels of taxation (local property, etc.) are taken into consideration. Public policy could move in either of two directions: expanding tax incentives to encourage more people to give more to philanthropy; or eliminating tax incentives altogether, and severing the relationship between charitable giving and tax advantage.

The arguments on both sides are compelling. Nonprofit agencies, even the wealthiest, have been hard hit by the recession. Needs and costs are rising sharply. It can be argued powerfully that now is not the time to talk of cutting back on incentives to give. Particularly not, when it is possible to *both* expand and "democratize" tax-induced giving by providing additional incentives to lower-income groups.

On the other hand, it is conceivable that philanthropy has lost more than it has gained by being associated in fact and in the public mind with tax advantage. The heralded elasticity that by an economist's measure brings more than a dollar to philanthropy for every dollar lost to the government in taxes – and proves that the tax system in that sense is "efficient" – also has stretched public credibility and leveraged congressional ire. In a moral and political sense, tax incentives may not be all that efficient.

Even from an economist's viewpoint, the efficiency of the tax system can be questioned: the aggregate yield to philanthropy – both presently and potentially – is limited and inadequate. Induced giving under current provisions constitutes a small and diminishing fraction of the nonprofit sector's income and stated needs. Significant expansion of current incentives are politically unlikely; even the more dramatic proposals considered by the Filer Commission would yield little more than a "cost-of-living" increase in philanthropic revenues.

Question: What are the Touchstones for Deciding?

The question whether to cut or expand the connection between giving and taxing raises immediately the question of goals and values: What do we want to accomplish, what price are we willing to pay, what tradeoffs are we read to make?

The presumption here – derived from both theory and practice – is that philanthropy represents a valuable extension of freedom and choice. "The Third Sector" is an institutional option and a countervailing force worth preserving and growing, at least in proportion to the growth of government and business, the two other sectors philanthropy coexists with, complements, and often confronts.

The integrity and vitality of this Third Sector therefore become the proximate criteria for determining the ground rules which define, govern, and finance it. The ultimate criteria remain the integrity and vitality of the free and democratic society which philanthropy is dedicated to strengthen.

These criteria are broad but not meaningless. They suggest a resolving principle and salutary process of *balance:* a continuing procession of judgements designed to maintain a moving equilibrium among values, trends, and forces tugging constantly in contrary directions. Legislators and others responsible for making those judgements will best know they're right when all lines are taut.

Question: Are Philanthropy's Sources of Support in Proper Balance?

Philanthropy – America's Third Sector – draws its support from three principal sources: private giving, governmental funding, and earnings (hospital charges, tuition payments, and so forth.). Currently, according to estimates prepared for the Filer Commission, these three sources of annual income are numerically in balance: the ratio is approximately 25:25:30 (totalling $80 billion for all nonprofit institutions including churches).

A hard question has to be asked of this apparent balancing before one leaps to the conclusion that the Third Sector is maintaining its health and integrity.

What about the dynamics of that balance? One disturbing aspect is the declining share of private giving and the rising share of governmental support – which shows up directly in government subventions *but also indirectly* in earnings that derive from governmental transfer payments (for example, Medicare and Medicaid payments of hospital bills, scholarships to cover tuition). That drift toward government financing of the nonprofit sector becomes all the more pronounced when one takes into account the wide-scale adoption of the philanthropic process during recent decades *as a form of governmental action:* for example, proliferating grant-making agencies like the National Institute of Health, the National Science Foundation, the National Institute of Education, and for a time O.E.O.'s community action programs throughout the nation. To some extent this "explosion" of government into philanthropy is a passing phenomenon, brought on by cresting affluence and now-fading political euphoria. But there is something more permanent in the trend: a recognition (a) that grant making (that is, dealing differentially rather than by universal formulas) is an appropriate accommodation of the governmental process to a complicating and differentiating society; (b) that government can use private bureaucracies not only as a complementary resource but also as a device to keep its own bureaucratic process from becoming too large, powerful, and "at ease"; (c) that private giving, especially in the roughening times now upon us, may chronically fall short of supplying the funds required either to provide the level of services needed or to keep the private sector at critical mass; and (d) that private giving, tied as it is to tax advantage, lingering privilege, and inaccessible processes, cannot be relied upon to ensure the public interest without some admixture of public funding and/or control.

The powerful trend toward governmental funding of the philanthropic process suggests the strongest case that can be made for continuing and expanding tax incentives for private giving: whatever billions are induced are needed to maintain any semblance of balance in the revenue structure of the nonprofit sector.

The same logic applies to philanthropy's third base of support, earnings – although far less is said or researched about earnings than about tax incentives or government funding. The concept of "user charges" is at odds with conventional notions of "charity," but not with what is involved in today's world of the nonprofits – which include institutions conspicuously capable of charging more for the services they provide without doing violence to the needs and incomes of their clientele. Not all those subsidies may be necessary.

Tensions and Trade-Offs Between Private Giving and Governmental Support

The balance one looks for as a means of preserving the vitaility and integrity of the philanthropic process is probably less a function of quantities and ratios than it is a product of the tug-and-pull between the real and supposed virtues and liabilities of private vs. public funding.

On the one hand, private giving under present arrangements has a class bias: the wealthier give more than the less wealthy; they give preponderantly for different purposes (culture, education, and hospitals vs. church, United Way, and community welfare); and they retain more direct control over the intermediate agencies (foundations, corporations, and nonprofit agencies) that eventually allocate and spend the money they donate.

On the other hand, government funding comes with its own bias and carries its own price: conditions are attached; uniformity tends to displace flexibility; discretion and risk taking sooner or later are flattened under the weight of political calculation; individuality (a more appropriate, certainly a less pretentious word than "excellence") has a hard time surviving the logic of majority rule.

The tension between these two imperatives, in the pragmatic setting of the American Congress, suggests the terms of an acceptable set of tradeoffs. Philanthropy will be given greater operating latitude and a stronger financial base *if* and when it becomes more open in its processes, more accessible to the general public, more directly – or at least more continuously – accountable through state and federal oversight, broadens its constituency of donors, and moves toward parity among income groups in the tax advantages of giving.

On the other hand, government aid and regulation become more acceptable *if* it is premised on an affirmation of philanthropy's significance and freedom and is structured in such a way that the stifling aspects of governmental intervention are acknowledged and kept to a minimum.

Resolution: Long-Term Prospects and Concerns

Both sides of the equation have their knowns and their unknowns: the comparative advantages of private and public funding are at once speculative and real. Balancing them is therefore a precarious and recurrent endeavor.

Nevertheless, the statistical analyses and simulations done by Martin Feldstein for the Filer Commission suggest a form of tradeoff that may reduce the instability of philanthropy's income and public support. By *adding* tax incentives to giving by the non-wealthy, Congress could broaden philanthropy's constituency as well as enlarge the Third Sector's revenue base. More voters and taxpayers would have more at stake: 70 million taxpayers, in fact, whose participation in philanthropy is now obscured within the Standard Deduction of the "short form," would (if allowed additionally to deduct their charitable contributions) be encouraged to deal explicitly with the choice of sending their money to the Third Sector or to Washington, and thereby begin to "vote" their choice and express their attitudes about relative performance and payoff.

Again, some hard questions must be asked before this line of resolution is adopted. Given its record and very nature, Congress can be expected to ask most of them, certainly these two:

> *Query:* Will more be accomplished in the public's interest by private or by governmental spending of the moneys involved?
>
> *Query:* We respect philanthropy in its "pure" form. But is it philanthropy or power that is really at issue, and will this new formula change the basic structure of philanthropic and social power that we've long had such an aversion to? More giving by the less affluent does not automatically translate into more control over decision making; it may simply be an ingenious device for preserving the status quo.

These queries, and particularly the second, force consideration of *process* in some very fundamental ways and raise issues that Congress itself may not be comfortable with.

The first, and probably least touchy, has to do with the openness of the philanthropic process. Converging moods within Congress, philanthropy, and the general public may provide consensus on a number of improvements. They include: full disclosure (though Congress will find it hard to extend that long-overdue requirement to all nonprofit institutions, particularly the church); more accessible and uniform reporting; periodic open meetings; and incentives for private foundations to diversify their governing boards and staffs.

A second issue which almost by definition permits no easy agreement has to do with the general posture and major purpose of philanthropy, especially now when tax-conscious majorities find less room in heart and purse for minority causes. (The term is used broadly – that is, concerns not (or not yet) felt or favored by voting majorities.) The "underdog" has always been philanthropy's natural beneficiary and first concern. It is a simpler matter when philanthropy limits itself to a direct transfer of money from one willing individual to another. But when philanthropy during an era of scarcening resources gets involved – as increasingly it has – with systematic redistributions of wealth, information, and power that benefit minorities, it will chronically be in tension with the public's legislative and administrative bodies and the differing majorities they consistently represent.

If philanthropy is to honor its essential role – and the more so in a time when minority interests are increasingly at peril – it cannot escape this natural predicament. It may be able to ease its situation by artful balancing of its social investments, so that it accumulates a supportive coalition. But if in that process it is seen as being "too clever by a half," it will have lost even that element of protection.

What is sorely needed is an explicit recognition by the Congress and by the public that private philanthropy serves the greatest public need by acting on "the minority side" as an equilibrating and inevitably "controversial" force in American society. It needs assurances from the majority, just as the majority needs assurances from it.

These sets of mutual assurances can only partially be translated into legal language and machinery. But it is important periodically that attempts are made to do so. At this stage the following assurances are especially critical and should in some way be formalized:

From the public's viewpoint: It needs saying that the nonprofit sector cannot be used as a sanctuary for those looking for an easy or total escape from public policy and civic responsibility. Whether or not private agencies are designated "501(c)(3)," or receive public funds, they should not be exempted from requirements of public reporting and governmental protection of human rights. Even if a taxpayer's last deduction is for charitable purposes, he/she cannot thereby escape paying a minimum tax and avoid discharging that minimal civic duty that the tax represents.

From the viewpoint of private philanthropy: It needs saying that legislative and administrative oversight cannot be used to harass or otherwise prevent philanthropy from carrying on its essential function in American society. "Expenditure responsibility" (the Tax Reform Act's device for inhibiting philanthropy in its use of precisely those groups most sensitive to social imbalances and willing to risk working at them) is a constraint that private foundations should be relieved of.

More fundamentally, the right to speak freely in public and before the public's legislatures should be restored to all nonprofit agencies. More than money, the philanthropic process needs this freedom to speak openly, to engage its governmental counterparts in unfettered dialogue, and to "fight the battle for the public's mind." It is commentary enough on the timidity of philanthropy's leadership, and on the dominance of tax considerations, that what is a logical imperative and presumptively a constitutional right has been surrendered without the semblance of heroic struggle. A birthright has been traded for the pottage of tax benefit. Ironically, it has taken a critic from Congress to say it the most forthrightly:

> There is no sensible reason to prohibit foundations and other organizations declared tax-exempt . . . from expressing their views on legislation which affects their operations or which in some way relate directly to their program activities. This is a basic First Amendment right which should not be denied to any person or institution in our society.[14]

In Benediction

Philanthropy in American public affairs has been described in this paper as a process and problem of moving equilibrium. For an analyst, that's easy to say; for an activist, either in the governmental or the private sector, it's a matter of continuous debate and daily agony.

For whatever comfort it gives, it should be remembered that everything that is alive struggles toward balance but never achieves it.

"I struggle and I hurt, and therefore I am."

Footnotes

1. National Planning Association, "Private Foundation Support for Civic and Public Affairs," report prepared for the Commission on Private Philanthropy and Public Needs. NPA *did* include some items we have not: e.g., international affairs, which are covered by Adam Yarmolinsky in a separate report to the Filer Commission.

2. The Vera Institute began with the interest of one man, Louis Schweitzer, in bail reform in New York City; at the outset, it was fully financed by Schweitzer. Foundation grants — principally Ford — enabled it to expand. Its now-famous Manhattan Bail Project caught the attention of the U.S. Department of Justice and is credited with leading eventually to enactment in 1966 of the Federal Bail Reform Act — the first change in federal bail law since the Judiciary Act of 1789. Vera's work has included experiments in arrest procedures (the Summons Project); the handling of skid-row alcoholics by law enforcement agencies; various kinds of assistance for ex-addicts, parolees, released convicts; sentencing procedures; and others. Its influence is national; a part of its program consists of technical assistance to other localities. It now draws most of its support from government — federal, state, and municipal — but continues to receive private subsidy for its core staff and special projects. Its 1971-72 statement shows general support of $300,000 from The Ford Foundation and $25,000 from Schweitzer. The rest of its $14 million budget for that year came from various governmental agencies. The Sloan Foundation, the Field Foundation, and the Fund for the City of New York have also contributed.

3. One of the more informative accounts of such giving is contained in the annual report of the (insurance industry's) Clearinghouse on Corporate Social Responsibility ("Results of the Reporting Program of Life and Health Insurance Companies on Social Responsibility Activities").

4. Merle Curti, "Subsidizing Radicalism: The American Fund for Public Service, 1921-41," *The Social Science Review*, XXXIII (3), University of Chicago, September 1959.

5. Warren Weaver, *The U.S. Philanthropic Foundations: Their History, Structure, Management and Record* (New York: Harper and Row, 1967), p. 199.

6. Lilly Endowment; the Carnegie Corporation; the Rockefeller Foundation; the Alfred E. Sloan Foundation; the Louis and Maud W. Hill Family Foundation; the Eugene and Agnes Meyer Foundation; the Hogg Foundation; the Wieboldt Foundation; the Wallace-Eljabor Foundation, now the Fund for New Jersey; the Cleveland Foundation; the New York Community Trust; and the San Francisco Foundation. We checked about 10,000 grants (all those over $1,000 for which reports were available), selected those applicable to public affairs, and classified this section by the public affairs categories described in this report.

7. – and pressure. Foundations were made quite aware of the "great interest" the President had in the Goals Project. Those who have been approached to contribute to civic causes know that this is not an isolated example.

8. Though it would be wrong to say that philanthropy's "prophetic" role is always an unfriendly one. Some parts of any establishment always welcome the critic, sometimes quite explicitly. Kenneth Gibson, first Black mayor of Newark, used the occasion and substance of a privately funded public interest research group's attack on his city's public health department to revamp and restaff the operation. Cf. "The Doctor is Out," Center for Analysis of Public Issues (Princeton, New Jersey, 1971). (The center receives its funding from a combination of individual and foundation gifts; principally the Fund for New Jersey.)

9. Note: "Regulating the Political Activity of Foundations," *Harvard Law Review*, Vol. 83, (1970).

10. Hearings of September 26, 1973. Memo reprinted in *Foundation News*, January/February, 1974, pp. 6-8.

11. Thomas Troyer has fashioned a careful and persuasive brief that in some test case or another will almost certainly find its way into arguments before the courts. Cf. Thomas A. Troyer, "Charities, Law-Making, and the Constitution: The Validity of the Restrictions on Influencing Legislation," 31 N.Y.U. Inst. of Fed. Tax. (1973).

12. H.R. 14443, introduced by Rep. Barber Conable, Jr. (Republican, New York).

13. This is not to disparage or discourage continuous and systematic evaluation of philanthropic grants and activities. they are needed; they are helpful; they can clear away a lot of philanthropic nonsense and debris. The point here is that in the world of conflicting opinions and values in which both politicians and philanthropists have to work (especially but not only in public affairs), the process of evaluation ends in a "political" judgment.

14. Sen. Vance Hartke, speech to the council on Foundations New England Regional Conference, Hartford, Connecticut, February 27, 1975.

A SURVEY OF THE VOLUNTARY ACTION CENTER NETWORK

National Center for Voluntary Action†

Introduction

Researchers and scholars have for a variety of reasons bypassed the voluntary sector and left this segment of our society largely unmapped. We do not have a social profile of the nation that shows how citizens contribute to the quality of life by addressing problems through voluntary service. No census has been taken of the numbers of voluntary service organizations, their rate of growth, and their memberships. There is no comprehensive record of their accomplishments, failures, or social impact.

The complexities of modern society have brought about an increasing institutionalization of volunteer activities, which in turn has altered the role of the individual volunteer. The growing interest and participation of people at all levels of society – the young, the old, the minorities, and women – have swelled the ranks of volunteers and necessitated new strategies, new role concepts, and new forms of preparation and support for volunteer activities. The needs of the clients have also changed; and they, more than ever before, are articulating their own concerns about how these needs should be addressed. Vast numbers of people have risen to the challenge with little or no logistical support. Lack of communication, lack of information, lack of money, lack of tools for planning and for measuring impact, lack of a solid body of knowledge – all are problems that have traditionally confronted the voluntary sector.

To gain a better perspective on the diversity of voluntary activities and support throughout the country, the National Center for Voluntary Action (NCVA) conducted a survey of its local affiliates, the Voluntary Action Centers (VACs). Out of the total 250 Voluntary Action Centers operating in all parts of the country, a representative sample of 87 was selected for interviewing. (See Appendix for list of respondents.) Interviews were conducted by telephone with either the director or a staff member of each organization. The survey sought information on the types of services provided by the VACs, the ways in which VACs connect with non-establishment, non-United Way supported groups, and the funding sources for the non-United Way organizations. The respondents were also asked to describe what they consider to be the major trends in voluntarism. Obviously, the size of the sample is small when one considers that voluntary action goes on in every community in the nation. Moreover, Voluntary Action Centers constitute only a small support service in the total volunteer sector, and the number of programs serviced varies depending on the size of the community and number of people involved. VACs do, however, serve a wider range of agencies and programs than the United Way.

NCVA would have preferred to provide a much more detailed, coherent, and cogent picture of the volunteer world, but there were no research sources to draw on. Since its establishment in 1970, NCVA has devoted most of its resources to assist the practitioner. It has gained empirical knowledge of the workings and problems, the strengths and weaknesses of the voluntary sector. It has created a network of Voluntary Action Centers to support volunteers in their communities. And it hopes to play the role of the catalyst in bringing about the necessary undergirding of the nation's myriad volunteer efforts with improved communication, information, and education, making these efforts more effective and accountable. At this time, NCVA can only hope to attract attention to the volunteer world and its needs.

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†Thomas D. Queisser, Deputy Executive Director; George E. Chalmers, Report Project Director.

SURVEY FINDINGS

Voluntary Action Centers are a central focus of voluntarism in their respective communities. While their specific methods of operation and their constituencies are different, these organizations have the same broad functions:

1. To work with local planning groups and information and referral services to determine where and how volunteers can help in the solution of particular problems;

2. To maintain up-to-date information on community needs, on the agencies and organizations that utilize volunteers to meet those needs, on the services provided by volunteers, and on community resources;

3. To recruit, refer, and place volunteers, making a special effort to involve members of the community who have never been volunteers; and

4. To help the community initiate new volunteer programs by bringing together representatives of citizen groups who might cooperate with community institutions (such as business, government, schools) in the planning and implementation of the programs.

According to the survey responses, the types of services most frequently provided by VACs to both United Way and non-United Way agencies are the promotion of voluntarism, the coordination of agency programs to avoid duplication, recruitment and referral, and training and information. Recruitment and referral were ranked as the most important function by a large majority of the VACs interviewed. (One VAC said its primary service was the development of experimental programs which, if effective, might be assumed by the appropriate community agencies.) Almost equal importance was given to the education and training function. Of the 87 VACs interviewed, 65 were providing technical assistance to agencies in their work with educational institutions in cooperative workshops, credit courses and seminars in administration, and evaluation of volunteer programs. Only five VACs said that they were conducting their own training programs for volunteers. The majority considered as their priority function in this area the development of capabilities of administrators of volunteer programs.

Forty-nine VACs mentioned as an important function convening representatives of agencies through forums, assisting organizations of volunteer coordinators, and providing training for board members. (One VAC sponsors a forum of presidents of agencies.) Communications and public relations are also components of the coordination role. For example, one VAC conducts a week-long project in which all agencies come together to sell the concept of voluntarism to business, labor, and other community groups. Another VAC is setting up a central communications center which will provide consultation services designed to encourage greater involvement in volunteer work. Another has formed a community federation for new agencies to help organize agencies where and when they are needed and to increase involvement in issue areas, especially with the League of Women Voters and consumer rights groups.

The majority of VACs make their facilities and services available to agencies and consider this an important service. Twenty-five have resource libraries which are made available to all community volunteer programs. Twenty VACs operate information and referral centers which serve as a resource for anyone in the community needing help in locating social services. Ten VACs have developed satellite offices to bring their programs closer to the neighborhoods.

Many of the non-United Way programs serviced by VACs are in the area of criminal justice. Volunteers work in both juvenile and adult probation programs as probation counselors, participate in programs in the prisons, and assist in rehabilitation when prisoners return to their communities. Fifty percent of the VACs are assisting in the development of volunteer projects in this area.

VACs are also working in cooperation with local departments of human resources, as well as county and state welfare departments. Volunteers are recruited to work with clients; recipients of services are also encouraged to volunteer.

Several VACs are involved with industry and government in pre-retirement planning. A number of corporations release time to their employees to participate in volunteer projects of their own choice. Exxon, Xerox, Shell Oil, and Prudential Insurance have been leaders in this area.

In 25 of the communities surveyed, high school students receive credit for community service during school hours. In some communities, the students operate their own programs with VAC assistance. At least 50 percent of the VACs cooperate with the volunteer programs within the local school system.

The majority of VACs surveyed serve government volunteer programs. As noted above, services are provided to public school volunteer programs and to volunteer programs in city and state welfare and social service agencies. Institution-based, non-United Way funded volunteer programs, such as those in hospitals, prisons, and state training centers for retarded or handicapped persons, are increasing in size and activity and frequently use VAC services. These government and institutional volunteer programs look to the VAC primarily for services such as the recruiting and referral of volunteers and leadership training for agency personnel, both paid and volunteer.

Since Voluntary Action Centers provide services to a variety of groups and organizations in the community, the respondents were asked if they serve any non-United Way supported organizations in addition to United Way agencies. The vast majority responded "yes." All but five of the VACs surveyed stated that they serve *both* United Way and non-United Way organizations, although the ratio varied considerably among respondents. For most VACs, however, more than half of the total number of groups and programs served do not receive funds from United Way. (A fairly common response among VACs serving both United Way-supported and non-United Way supported groups was, "we serve both groups equally." This remark implies that the VACs welcome requests for service from voluntary groups regardless of their funding sources.)

The majority of VACs stated that "more" or "many more" of the independently funded organizations than of the United Way-supported programs received recruitment, training, or consultant services. For example, the Voluntary Action Center in Denver, Colorado, reported that while there are 74 member agencies in the four-county United Way, its local directory of resources of human and social services lists a total of 750 active programs. It was noted that there are "easily 300 more programs not listed and not funded by United Way." This one metropolitan area demonstrates the multiplicity of programs and organizations that operate without United Way funding.

The five VACs who stated that they serve either United Way or non-United Way agencies, exclusively, gave various explanations for this limitation of service, some of which are noted below.

In Ferrum, Virginia, the VAC is operated by Ferrum College and is primarily a recruitment and placement service for students. The programs are generally campus based, such as a student-operated day care center or a senior citizen recreation center. Off-campus programs utilizing student volunteers are generally funded through government sources such as the federal food stamp program. There are no connections with the United Way.

The VAC in Alton, Illinois, is an all-volunteer operation and receives some funds from local service clubs. There are no United Way funds available for current volunteer programs, and the VAC is providing service to the community at large.

Along with volunteer referral, it has sponsored various training and communications workshops.

The VAC in West Palm Beach, Florida, is totally supported by the United Way and is primarily a volunteer referral and placement center for other United Way-funded organizations. Much the same pattern exists in Tampa, where the VAC, in cooperation with the YWCA, acts as a coordinating body for matching volunteers, programs, and community needs.

Since there was evidence that many ongoing volunteer programs are not supported by United Way organizations, the VACs were next asked about the sources of operating funds for such programs in their community.

In general, voluntary organizations in this category secure their support from multiple sources. The most common source of funds is government — federal, state, city, and county (55 VACs mentioned this source.) This includes federal ACTION grants, state social service funds, and city or county revenue sharing monies. Several VACs noted that in their communities federal revenue sharing funds were not made available to agencies outside the United Way umbrella.

Philanthropic foundations and individuals are another important source of funds (approximately 27 VACs referred to these support sources). The amount of support derived from foundations and individuals varied, but in most cases it represented only supplementary funding. The philanthropic foundations are usually family foundations which may have broad interests but frequently limit their giving to the immediate community, state, or region. Donations from individuals are usually made in response to the good will that has been generated by the voluntary organization in the community.

Other major sources of funds are service organizations (Rotary, Kiwanis, Junior League, Altrusa, and others) and churches in the local community. The size of their contributions vary, but these service and religious organizations have proved to be a constant and dependable source of funds when tapped. Sales and special events are often used by these organizations to raise funds, with all proceeds donated to the voluntary groups. Such alternative methods of fund raising must be used more frequently during periods when economic problems force government, foundations, and other more established funding sources to limit the size and scope of their support.

Corporate support has also been solicited by non-United Way supported voluntary organizations, but with only limited success. Whether corporations were not approached or whether they declined to participate was not clearly revealed by the data. The corporate support that is given is often in the form of non-monetary, in-kind contributions (office space, equipment, supplies).

A handful of agencies have raised money by requesting a small membership fee from their client organizations and from the individuals who support them. Because the fee is modest, this technique usually generates more friends than funds.

Based on number of times mentioned in the survey, the ordering of the funding sources by importance is as follows: government, individual donations and philanthropic foundations, service or religious organizations, sales and special events, corporations, and memberships. Government support is at best intermittent; and although service and religious organization support is constant, it is not large. Thus, it is apparent that voluntary organizations must improve and increase their efforts to secure foundation, corporate, and individual support. All VACs agreed that not only the amount of funding but also the continuity of funding is a major factor in the growth and expansion of VAC operations in the community.

The final question in the survey dealt with the areas of service that currently attract the largest number of volunteers. The VAC staff members interviewed were asked to list those areas of service that are receiving the most attention and thus growing the fastest. They were asked to differentiate between "service volunteering" (human services) and "issue-related volunteering" (advocacy, legislative action). It should be remembered that VACs may have answered this question from one of two perspectives: from the perspective of the groups and activities to which the VAC provides services or from the perspective of what is currently happening in the community, regardless of whether the VAC was directly involved in the activity described.

A total of 15 different areas of "service volunteering" were named by the respondents. These were regrouped into nine categories, shown below with the total number of respondents mentioning each area:

Area of Service Volunteering	
Services to the aging	52
One-to-one services*	26
Services to youth	23
Justice-related programs	22
Mental health related programs	20
Services to the handicapped	9
Education-related programs	9
Health-related programs	6
Manpower programs	2
	169

*Includes information and referral, rehabilitation, alcoholism-related and emergency services, one-to-one counseling services, crisis lines.

Clearly, services to the aging are currently the fastest growing area of volunteer service in the communities surveyed. Specific programs mentioned include nutrition education and meal provision, home visits, hotlines, transportation, legal assistance, medicare assistance, recreation and programs to assist the elderly in continuing to live independently in their homes.

In the area of youth services, the problem of child abuse is becoming a more frequent target of volunteer efforts. Justice-related programs, the fourth-ranked area, include programs in correctional institutions, programs to deinstitutionalize offenders, probation programs, and programs in which offenders are utilized as volunteers. Many of the mental health programs provide assistance to patients in their reintegration into the community.

Two respondents said they believe that volunteers tend to "follow the money," that is, that they are most often attracted to those areas (specifically, service to the aging and justice-related programs) that receive attention from major funding sources such as the federal government and foundations. It was not within the scope of this project to determine the validity of this observation. It does suggest, however, that levels and sources of funding might have a discernible effect on citizen involvement in service areas.

A total of 16 different "issue-related" areas were mentioned. These were regrouped into six areas, listed below with the total number of respondents mentioning each area:

Areas of Issue-Related Volunteering	
Human rights*	17
Monitoring of government	11
Consumers' rights	9
Environment-related programs	7
Housing	7
Prison reform	2
	53

*Includes children's rights, gay rights, minority rights, right-to-life and abortion groups, women's movement.

Monitoring of government, the area which ranked second, covers a wide range of activities, including programs to inform citizens of community affairs, legislation, the work of specific public groups such as a local transportation commission or sports area commission. Volunteer monitoring of local utility commissions in relation to rate increases was cited by two respondents.

Of the 87 respondents, 8 stated that they are "non-political" and thus are not involved with issue-related groups. A large number of respondents indicated that they provide information about and make referrals to issue-related groups but otherwise have no contact with them in programs. Others indicated that they provide technical assistance services to issue-related groups, such as advice on funding, recruitment, and publicity.

The range and diversity of volunteer activity is apparent even from this small sample of organizations. Whether the problems are those of a single community, a region, or the entire country, it is likely that there is a group of citizens organized to deal with them. Wherever possible, the VAC network supports these groups directly. Indirectly, VACs seek to encourage voluntarism and to gain acceptance of volunteer action as an effective expression of citizen concern.

Appendix

List of 87 Voluntary Action Centers responding to NCVA telephone survey October/November 1974:

Alabama
Birmingham
Huntsville

Arizona
Fort Smith
Phoenix
Tucson

California
Auburn
Sacramento
Salinas
San Francisco
San Jose
Santa Cruz
Santa Monica

Colorado
Denver

Connecticut
Hartford
Norwich
Stamford
Waterbury

Florida
Clearwater
Fort Lauderdale
Fort Myers
Gainesville
Jacksonville
Miami
Orlando
Tampa
West Palm Beach

Georgia
Athens
Atlanta
August
Macon

Illinois
Alton
Chicago
Decatur
Peoria
Urbana

Kentucky
Lexington
Louisville

Massachusetts
Boston
Worcester

Michigan
Battle Creek
Detroit
Grand Rapids
Midland
Saginaw

Minnesota
Duluth

Missouri
Kansas City
St. Louis

Montana
Great Falls

Nebraska
Omaha

Nevada
Las Vegas

New Jersey
Hackensack
Jersey City
Morristown

North Dakota
Fargo
Grand Forks

Oregon
Eugene
Newport
Portland
Salem

Pennsylvania
Philadelphia
Scranton
York

Rhode Island
Providence

South Carolina
Greenville

South Dakota
Sioux Falls
Yankton

Tennessee
Chattanooga
Memphis
Nashville
Cleveland

Texas
Austin
Greenville
San Antonio

Utah
Provo
Salt Lake City

Virginia
Blacksburg
Ferrum
Harrisonburg
Newport News
Norfolk
Portsmouth

Washington
Seattle
Spokane
Tacoma

West Virginia
Huntington

Wisconsin
Beloit
Madison

ISSUES AND PROBLEMS FACING THE VOLUNTARY SECTOR: A SURVEY OF LEADERSHIP OPINION

Gordon Manser †

Introduction

This is an inquiry into the kinds of issues and problems that might be expected to confront the voluntary sector during the next decade. The National Center for Voluntary Action conducted a survey of a small cross section of the nation's voluntary sector leadership in which respondents were asked to list in order of importance the five major problems or issues that in their opinion will confront voluntary action during the next 10 years. The term "problems or issues" was defined as the trends or forces that can be expected to have a profound impact on the nature, strength, or direction of voluntary effort. Voluntary effort includes the whole spectrum of activity of organizations and individuals that provide support for programs in health, education, social welfare, arts and humanities, civic affairs, housing, employment, and a host of other community, regional, and national concerns.

It may be asked what relevance an inquiry of this kind has to the work of the Commission on Private Philanthropy and Public Needs. The answer lies in the scope of the Commission's concern. If the Commission had limited its work to a study of federal tax laws or government regulation of charities, for example, it would have been only marginally concerned with citizen opinion. But the Commission took a much broader stance with respect to private philanthropy: it undertook to study the history of philanthropy, the forces affecting philanthropy today, and measures that might strengthen voluntary effort in the future. In this context, the views of voluntary leaders became important as a check point for the Commission in both its deliberations and formulation of recommendations.

Significantly, 27 of the respondents felt so deeply about the future of voluntarism that they set aside the questionnaire and wrote personal letters stating their views. All together, 243 comments were made on 10 major subject areas. One cannot study these statements without being impressed by the dedication and commitment to voluntary action which they reflect.

The questionnaire provided examples of issues to stimulate responses to the survey, but respondents were urged to use these only as suggestions and to construct their own set of problems. (Approximately 80 percent of the respondents did this.)

The questionnaire was sent to some 300 individuals. Responses were received from 110, a return of over 33 percent and an excellent response rate considering the short reply time (two weeks). The sample was constructed to reflect geographical location and a reasonable balance among representatives of local and national organizations, volunteer and professional staff, and male and female respondents.

Questionnaires were sent to seven major groups: (1) the 501(c)(3) Group, an informal organization of tax experts and organizational representatives concerned with monitoring, analyzing, and studying policy issues for their constituent organizations; (2) the board of directors of the National Assembly of Voluntary Health and Social Welfare Organizations, a group of executives from 41 national voluntary health and social welfare organizations; (3) the Coalition for the Public Good, an organization of 25 volunteer professional representatives of national philanthropic organizations concerned with improving the image of the voluntary sector and strengthening cooperation within the sector; (4) the board of directors of the National Center for Voluntary Action; (5) the board of directors of the National Council on Philanthropy, representing private, business, and community foundations, as well as major donee organizations; (6) the presidents of local Voluntary Action Centers in the larger states, such as California and New York; and (7) a representative sample of presidents and executives of local United Way and planning organizations, based on geographical distribution and size of community.

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† Consultant, New York. This report was prepared at the request of the National Center for Voluntary Action. The views of the author do not necessarily express or reflect the position of the NCVA.

It was thought that respondents would answer the survey questions more freely if they were not asked to identify themselves. Because a number of persons voluntarily signed their questionnaires or letters, some rough profile of the respondents can be drawn. Eighty-four, or 75 percent, of the total 110 respondents identified themselves. Of these, 54 (64 percent) were laymen or volunteers and 30 (36 percent) were professionals. Fifty-eight (78 percent) were males. Forty-seven (56 percent) were from local organizations, while 37 (44 percent) were associated with national organizations. The 84 respondents came from communities of varying sizes in 28 different states. This profile indicates that the sample did represent a reasonable cross section of leadership in American voluntarism today.

Summary of Findings

The responses were grouped into 10 broad subject areas. Their order of importance is based upon the number of times a subject was mentioned. These areas are defined as follows:

1. *Public/voluntary relationships:* better coordination of services; reduction of the negative impact of government funding on voluntary agencies; government regulation of charities; permissible legislative action.

2. *Revenue:* the current and projected imbalance in income from all sources compared with increasing cost of service delivery; the increasing pressure of inflationary forces.

3. *Federal tax policy:* the need to improve incentives for voluntary giving and to achieve continuity and stability in federal tax policy.

4. *How the voluntary sector will respond:* the future of voluntary effort; prospects for institutional change.

5. *Citizen participation:* the future role of the volunteer; the importance of involving more persons as volunteers.

6. *Better understanding:* the need to increase public understanding of the role of voluntarism in American life and to improve the image of private philanthropy.

7. *Better management:* how to eliminate duplication, increase effectiveness in relation to costs, and measure performance.

8. *Foundations and responsiveness:* the image of foundations; the need for foundations to evaluate and provide ongoing support for established organizations.

9. *Planning:* the need for comprehensive local planning and systems of priorities to make better use of scarce resources.

10. *Accountability:* how voluntary organizations can develop appropriate systems for reporting expenditures and operations to the contributing public.

Respondents were asked to rate each subject on a scale of 1-5. The following table shows for each of the 10 subjects the total number of responses and the number of times each subject was rated number one.

Subject	Number of Respondents Mentioning Item	Number of Respondents Rating Item First
Public/voluntary relationships	99	14
Revenue	82	30
Federal tax policy	80	23
How the voluntary sector will respond	80	15
Citizen participation	78	11
Better understanding	25	7
Better management	13	3
Foundation responsiveness	13	0
Planning	9	1
Accountability	8	2

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SURVEY FINDINGS

Public/Voluntary Relationships

More respondents (99) expressed views on this subject than on any other. Fourteen rated it as the most important of the 10 issues. In general, responses reflected three points of view: that government and voluntary fields are complementary and should work closely together; that it is difficult for agencies to work with government because of discontinuity and uncertainty in federal commitment and actions; and that voluntary agencies either should not work with government or do so only on a limited basis.

In support of greater cooperation between the public and private sectors, one respondent noted that the so-called hazards in government and voluntary relationships do not need to exist. The issues here are how the attitudes and activities of government can be changed to recognize the role of the voluntary sector, how the independence of voluntary agencies can be maintained and supported, and how voluntary agencies can work more comfortably with government. Another respondent would like to see a major coalition of voluntary agencies work with government to develop new forms of cooperation, with the recognition that voluntary agencies can often provide services more efficiently and economically than government. This can be related to the comment of another respondent that there appears to be growing sentiment in Washington that the voluntary sector is incapable of delivering services.

One respondent said that "public and private relationships should be streamlined, simplified, and relieved of obfuscation due to redundant paperwork." This same theme was sounded by others who called for better coordination of the private and public sectors, asked how government and voluntary sectors can work together to meet increasing social needs, and stressed the need to clarify public and voluntary roles in meeting these needs.

Is government the best provider of social services, or does the bureaucratic structure prevent creative response? Which group—public or private—should be providing what kinds of services?

It was suggested that the relationship of the voluntary agency with government should be that of a "creative partnership" that recognizes the complementary roles of each sector—for voluntarism, the flexibility, immediacy of response, and intensity of direct personal involvement, and for government, the ability to raise large amounts of money, transfer funds to other sectors, and make and execute plans at the national level. The joint tasks are to define the social needs, select the appropriate instruments, and assign from each sector the resources required to meet the needs.

A major theme of the comments on the role of government was the problem of discontinuity in federal policy and programs—the uncertainty and inconsistency of public funding, which too often precludes the use of government money except in short-term or demonstration programs, or the frequent shifts in government policy that result in the loss of money and the termination of programs without evaluation of results.

Several respondents indicated that they were opposed to any form of cooperation between voluntary agencies and government. Others referred to a lack of mutual trust between government and voluntary agencies, questioned whether the voluntary sector can retain its independence when working with government, and cautioned against further involvement in "politics and bureaucracy."

One respondent asserted that government guidelines are rigid and fail to take into account local needs and circumstances. For local agencies, this often means that they must "restructure need" in order to establish their eligibility for government funds. Another respondent said that the public is taking a closer, longer look at government funding of voluntary organizations because of duplication and high administrative costs. Government funding may also discourage the recruitment of volunteers because of the possibility of loss of control over programs and the uncertainty of ongoing government support. Another expressed reluctance to accept federal money that imposes obligations that cannot be met by the voluntary agency such as matching fund requirements and program limitations.

There was concern expressed about the diminishing influence of voluntary agencies in those fields in which government programs have become predominant and questions about whether or not government will look to the voluntary sector for planning, research, and direct service as an alternative to increasing government bureaucracy. One respondent, for example, stated that Congress does not understand the importance of the voluntary sector to the health care industry and that the members of this industry (hospitals, for one) have themselves failed to impress upon Washington the benefits that they derive from charitable contributions, particularly the innovations in programs, treatment, and equipment that these funds have made possible.

Regarding government regulation and the nature of future government controls on voluntary agencies, one respondent predicted increasing regulation by the states, and possible registration of voluntary agencies by the federal government. One respondent favored the lessening of government controls over the voluntary sector, stating that such controls tend to impede creativity and productivity. Another asked whether self-regulation, government regulation, or some combination of the two would reinforce public acceptance of the value of private philanthropy and, if so, what should be the form of regulation.

Several respondents emphasized the importance of ensuring that the voluntary sector be able to influence government policy and that government policy makers have the benefit of the knowledge and experience of the voluntary sector. This, it was noted, can only be done by clarifying and liberalizing the existing rules governing legislative activities of tax-exempt charitable organizations.

Revenue

Given the number of persons (82) who commented on this issue and the number (30) who considered it the most critical problem of the next decade, revenue is obviously an issue of no little concern in the voluntary sector.

Attention was called to the decrease in foundation portfolio assets and corporate profits that has accompanied the rise in costs of services. Inflation has had a double impact: it not only has made it more difficult for individuals to give, but it has increased the costs of doing business. As one respondent put it, this means that there is no discretionary or elective money available for risk capital, for experimentation, or for unexpected needs. One respondent noted that the next few years would witness a "fierce competition" for the philanthropic dollar.

It was suggested that the numerous requests for funds, the number of dishonest or fraudulent appeals, and the recent proliferation of "causes" that do not necessarily provide new or useful services has lessened the donor's interest in giving and thus reduced revenue.

Respondents offered a variety of comments about the way in which support sources (public and private) have reacted to inflation and recession. One noted that government and foundations are increasingly funding time-limited programs, without providing adequate money for administration of these programs at a time when, because local communities lack funds for "pick-up" money, there is greater need for continuity in grants. Two respondents commented on the United Way: one noted that United Way pressure on employer and employee giving tended to force giving in only one direction; the other thought that some businessmen were becoming disillusioned with the United Way because of high administrative costs and inequitable distribution of money.

With regard to what voluntary agencies can do to overcome some of their financial problems, one respondent suggested that agencies diversify their sources of funding and another that agencies become more proficient in grantsmanship.

The subject of tax incentives for giving was also mentioned, with one respondent stating that inadequate federal tax incentives discourage private giving and another commenting that improved tax incentives were especially necessary in a time of inflation.

Federal Tax Policy

One respondent provided some explanation of the importance attributed to this subject (80 responses with 23 respondents rating it number one) when stating that federal tax policy was the key to all other problems of the voluntary sector. Another respondent predicted that unless government continues a favorable tax policy the voluntary sector will not survive.

Several respondents spoke of misconceptions about federal tax policy, in particular the concept that the charitable deduction diverts funds that more properly belong in the United States Treasury. Another respondent, noting that the only alternative to a strong voluntary system is government funding and program control, asserted that it is the maintenance of incentives for giving that will preserve local control and initiative. One respondent believes that there is little chance of improving incentives for giving because of the growing movement towards "tax equity" and the negative association of philanthropy with tax shelters. Another respondent agreed with this forecast, noting that Congress, fearing erosion of the tax base, does not appear to be favorably disposed to increasing incentives for wealthy individuals or corporations or enacting a tax credit for middle-income taxpayers. The growing pressure on Congress to decrease incentives is viewed as having a definite adverse effect on giving.

Although several respondents thought it important simply to maintain the present incentives for giving, a larger number favored improving tax advantages and incentives. One proposal was to separate the charitable deduction from other forms of deductions, allowing charitable gifts to be deducted from gross income rather than from adjusted gross income.

Several respondents stressed that the lack of consistency and continuity in federal tax policy and the uncertainty of tax reform is destructive to charitable giving and to long-term planning in the voluntary sector.

A number of respondents discussed specific provisions of the tax code, suggesting that the government provide more incentives for greater involvement of business and industry through increased tax benefits for loaned manpower and corporate giving, that the federal government remove the discrimination against public charities with respect to the federal manufacturer's excise tax and the transportation tax, and that the tax code be simplified and revised to clarify the rules by which the Internal Revenue Service determines the tax-exempt status of voluntary organizations.

How the Voluntary Sector Will Respond

Eighty respondents commented on this issue; 15 rated it as the most important of the 10 issues.

The greatest number of those responding believe that the voluntary sector will respond affirmatively in the next decade to the forces of change in society—if it can effectively manage its resources, plan cooperatively instead of competitively, and organize itself to make better use of scarce funds. In order to maximize the effectiveness of the voluntary sector, it will be necessary for voluntary organizations to work more closely together to define needs and issues and to develop the proper structures for meeting these needs.

While the multiplicity of agencies presents a poor image of the voluntary sector to the public, part of the strength of voluntarism is the loyalty of volunteers to "their agency." The question is, according to one respondent, how to preserve this sense of individual commitment while at the same time improving the administration and coordination of programs within the voluntary sector.

One respondent emphasized that the voluntary sector needs to define and articulate more vigorously its own values and objectives. Another observed that voluntary agencies must develop the capacity for institutional change.

Citizen Participation

This subject was commented on by 78 respondents, 11 of which rated it as the issue of greatest importance to the voluntary sector.

There seems to be general agreement among the leaders of the voluntary sector on the need for increased citizen participation. Respondents pointed out the need to develop a national strategy for involving larger numbers of citizens in voluntary action and the importance of using local Voluntary Action Centers and volunteer bureaus to recruit new volunteers and to identify previously untapped sources of volunteers in the community. It was also suggested that voluntary organizations focus on the problems of how to stimulate and sustain citizen commitment, how to gain greater acceptance of volunteer participation in government programs, and how to encourage more organizations to use volunteers.

Perhaps the most important problem that the voluntary sector faces in its efforts to broaden participation is the attitude of the citizen with respect to the concept of voluntarism. This problem was raised by one respondent who observed that the concept of "doing your own thing" has now replaced that of "our brother's keeper." As viewed by another respondent, the problem has been further complicated by the growing number of women who are returning to work or school and have less time to devote to volunteer activities. One respondent observed that because some government agencies have misused the term volunteer, applying it to persons who in fact receive stipends, the recruitment and retention of volunteers has become more difficult.

Another problem identified was the ineffective use of volunteers. Too often the volunteer is not looked upon by the professional as an active, productive partner. Professional jealousy and competition for recognition frequently causes friction between the professional and the volunteer. Some professionals are hesitant to give volunteers status and responsibility.

There was some difference of opinion as to where volunteers are most needed. One respondent thought that more citizens should be involved in decision making, while another thought it more important to recruit volunteers to work directly in programs.

Attention was also given to new sources of volunteers. Respondents stressed the importance of recruiting more members of minority groups and young people and of providing greater incentives for student volunteers in the form of support grants and educational credits.

Several respondents called for tax deductions for volunteer service time and expenses, noting that "one should not have to pay in order to serve" and tax incentives for employers who permit employees to participate in volunteer activity during working hours.

Better Understanding

Twenty-five persons commented on the need to make the public more aware of the role of voluntarism. Seven rated it as the number one issue for the voluntary sector.

Many leaders in the voluntary sector believe that there is a lack of understanding of voluntarism and are concerned about how this situation can be corrected. For example, one respondent noted that there is a lack of public awareness of the amount of services performed by the voluntary sector that would otherwise have to be performed by government. Others spoke of an increasing public skepticism about voluntary efforts, particularly with respect to soliciting organizations, as well as a growing distrust of private philanthropy as a tax shelter for the wealthy.

In light of these concerns, it is not surprising that some basic questions were asked: Why is the voluntary sector important in American life, and will it be in the future? For purposes of tax policy, how can the voluntary sector impress upon Congress, the Treasury Department and the Internal Revenue Service the value of private philanthropy to society and the unique benefits of the charitable contribution? How can it increase public awareness of the value and importance of voluntarism in a democratic society and its value relative to business, labor, and government? And perhaps the most basic question of all, How can it impress upon the nation that voluntary agencies are fighting for survival and may not make it?

Better Management

The 13 respondents who commented on this issue (3 considered it the number one issue) were generally critical of the performance of voluntary agencies. The most frequently mentioned problem was that of duplication in programs and services.

Several respondents asserted that the voluntary sector is characterized by a lack of efficient planning and coordination which in turn results in inefficient utilization of available funds. Among the suggestions for improving management were to develop information systems (data banks), increase staff competence, reduce administrative and fund-raising costs, and develop more efficient systems of evaluating and coordinating programs.

Foundation Responsiveness

Several of the 13 respondents who discussed this issue were critical of the private foundations' grant-making policies. One respondent asserted that much of foundation giving seems to be "quite capricious" and that too few foundations have a real understanding of the voluntary sector and its potential. One respondent spoke of the tendency of foundations to avoid commitments for ongoing program support, while another noted the small percentage of foundation money that is allocated to social welfare programs.

Among the various suggestions for improving the responsiveness of foundations to the needs of the voluntary sector were that foundations invest more heavily in innovative human service programs at the local level, that they study ways of making service-delivery systems more effective and efficient, and that they evaluate existing voluntary programs to determine how successfully the objectives are being met.

Several comments referred specifically to company foundations. One respondent thought that the 1969 Tax Reform Act had reduced the incentive for corporations to establish or continue company foundations, with the result that corporate giving is far more affected by year-to-year swings in the economy than would otherwise be the case. Another respondent said that corporate participation in the voluntary sector, in terms of both money and leadership, has not been adequately promoted or developed by the private sector.

Planning

Nine respondents commented on the need for comprehensive planning, with one rating it as the most important issue.

Respondents observed that the increased competition among voluntary sector organizations for dollars strongly emphasizes the importance of establishing priorities and of planning programs on the basis of assessed needs and resources. In the absence of priorities, agencies have a tendency to undertake too many projects, thereby weakening their total effort. The need for joint planning by the public and voluntary sectors and for priority systems to guide the contributor was also stressed.

Accountability

The eight respondents who commented on this issue generally agreed that the establishment and maintenance of a high level of public accountability should be one of the major priorities of the voluntary sector in the next decade. (Two of the respondents considered it the most important issue facing the sector.) One respondent commented that private sector management is not adequately accountable to the donor and that this discourages additional private philanthropy. Another accused public and private charities of operating behind "veils of secrecy," with inadequate or no public disclosure of methods of operation, including information on fund-raising and staff costs. According to several respondents, one of the most severe problems is how to lay at rest public suspicion of philanthropy and to establish its worth, integrity, and efficiency.

Among the suggestions made for improving public accountability were legislation requiring standardized reporting to donors and an audit system financed by both public and voluntary dollars.

II

CONCLUSION

In reviewing the responses to this survey, one is struck by the wide variety of attitudes and concerns expressed. The voluntary sector, even within the narrow parameters of this inquiry, is shown to be far from monolithic. Indeed, its very strength lies in its diversity.

Two main themes emerge from this survey. The first is the potential impact of government upon the voluntary sector, for good or ill. Tax policy, service-delivery systems, regulation, and purchase-of-service arrangements represent areas in which public policy may either overwhelm the voluntary sector or vigorously support it. What direction public policy will take is still unknown; but the effects of the current discontinuity and uncertainty in federal tax policy, to give but one example, are almost as bad as the effects of a negative policy. The task of educating the public about the issues confronting the voluntary sector thus becomes increasingly important. And it is critical that government leaders also understand what is at stake.

The second theme that emerges from this study is the need to reawaken the impulse toward volunteer commitment and service which have for so long characterized our social system. What is important to understand is that the entire voluntary structure will collapse if and when volunteers withdraw their commitment as board members, as committee members, or as participants in direct-service programs. For the voluntary sector to respond to the challenges of the next decade, it is essential that these people, as well as government leaders, understand the issues and problems at hand and the importance of maintaining this sector as a vital part of our society.

THE VOLUNTARY SECTOR: PROBLEMS AND CHALLENGES

Pablo Eisenberg[†]

Introduction

There is widespread belief that the voluntary sector is in a state of acute and prolonged crisis. Some attribute this situation to a serious shortage of money and the inability of private groups to finance their growing needs. Others point to the octopodan spread of government, a development that threatens the traditional balance between the public and private sectors. Yet others perceive the voluntary sector as a complex system of organizations often irrelevant to the pressing issues of social and economic survival in the 1970s and 1980s.

An element of insight and truth underlies each of these observations. Each focuses on an important part of the problem and directs our attention to a fundamental dilemma that clouds the future of the voluntary sector. Simply stated, the question is whether the voluntary sector—philanthropy, voluntarism, and private organizations—can meet the changing needs of society with its traditional assumptions, strategies, and operations.

There is a tendency among many observers to cite the proliferation of voluntary organizations, the amount of money spent by private groups, and the vast number of hours contributed by volunteers as tangible evidence that all is well with the voluntary sector. There is an Adam Smith quality in this view, reflecting the hope, if not conviction, that all the parts of the voluntary mechanism are working effectively through a hidden hand on behalf of the public's good.

But statistics are only one indicator of the health of institutions. The quality of performance, the timing and politics of action, the significance of the activity, and the nature of the process are all elements that must be included in any overall judgment of an institution or the private sector in general. These tend to be much more difficult to assess. Little wonder, then, that so little attention has been paid to their evaluation.

The voluntary sector, its goals and functions, can be divided into two major facets. While they overlap, one is essentially private, the other primarily public. The former refers to those not-for-profit activities of individuals and organizations that promote self-betterment, individual professionalism, personal services, and self-fulfillment through participation with others. This side is basically focused on individual wants, needs, and gratifications. The latter, the public side, is chiefly concerned with societal problems and the preservation of our democratic republic and its principles. It encompasses our democratic value system, the American ideals of justice, liberty, and opportunity. It is based on a traditional American view of society that has recognized the inherent dangers of big government and assigned to the private sector the responsibility for keeping government open, responsible, and in check.

It is in dealing with its public function that the voluntary sector is particularly derelict in fulfilling its mission and responsibilities.

The past few decades have witnessed revolutionary changes in our institutional arrangements, both domestic and international; in the growth of government and its bureaucracies; in the nation's economic condition, patterns and problems; in the evolution of minority and disadvantaged communities; and in the emergence of unforeseen urban, rural, consumer, and ecological issues.

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Not only have vast changes swept the country, but there is ample evidence that our society itself will have to undergo radical surgery if our democratic way of life is to survive. The market mechanism, long the mainstay of economic life, is breaking down and will have to be modified. Poverty has not been eliminated. Social injustice continues. Economic opportunity is undermined by racial discrimination. If the poor aren't getting poorer, they aren't getting much richer. An inequitable tax system perpetuates an inequitable economic social system. Essentially public decisions affecting not only Americans but other countries as well are still being made by private institutions and small groups of individuals. The pressure for distributing power and resources more fairly within our society is building as a result of both internal and external influences.

How to anticipate these changes and where to initiate preventive medicine should and must be the business of the voluntary sector, particularly its innovative components, the foundations and educational institutions. Few philanthropic organizations and private groups, however, appear to have significantly altered their priorities and practices to adjust to recent developments. They remain cautious and conservative, preferring to avoid or ignore these new trends and issues. While the world has moved, they have tended to stand still. Their traditional purpose and current conceptual base have been undermined by the march of events.

The fossilization of traditional practices is everywhere in evidence. Over the past 20 years, hundreds if not thousands of new local organizations have been created to deal with issues such as ecology, consumer problems, economic and social self-determination, public interest law, poverty, and neighborhood revitalization; yet philanthropy has made little or no provision for these new vital groups. Many social agencies and volunteer groups continue to serve their clients, old and new, as they have for years, irrespective of changing circumstances and the need for modern strategies and special skills. Nor have philanthropy and many private organizations demonstrated much interest in and concern for the New Federalism with its dangerous implications for responsible democracy at the local level and for the continued vitality of the voluntary sector.

Special attention must be focused, therefore, on the public side of the voluntary sector, on the neglected public social and economic issues which must increasingly become a responsibility of local and national voluntary organizations.

I

THE EXPANDING WORLD OF PRIVATE ORGANIZATIONS

During the last two decades the number of private organizations engaged in traditional philanthropy, community service, professional betterment, and social activities has multiplied significantly. Paralleling this growth has been the emergence of a new large group of local and national organizations with different purposes and structures and, in some cases, constituencies. While vocal, active, and productive, these volunteer groups are still struggling to gain acceptability, credibility, and recognition from the voluntary sector in general and the philanthropic organizations in particular.

Although all are concerned with major economic and social problems, they may be divided into two major groupings. Many organizations combine the characteristics of both types.

The first is primarily involved in the identification, analysis, and resolution of public issues, local, regional, and national. In contrast to the largely middle-class better government and taxpayer groups of the past, the new groups comprise a wide and growing range of concerns and a rich diversity of class and ethnic backgrounds. Civil rights and anti-poverty organizations emerged in the 1950s and 1960s, encouraged by increasing citizen responsiveness to social problems and governmental action. During the past ten year ecology and consumer groups have mushroomed as the threat to our natural resources was perceived and business malpractices became more clearly understood. Major areas of public needs and services have received attention with the creation of special citizen organizations to deal with housing, health, welfare, and community development. Government and budgetary practices are now spurring the creation of new groups interested in municipal performance and program effectiveness. Cutting across these groups and constituencies has been the growth of coalition movements around particular issues appealing to a large and diverse number of organizations.

The second type may be characterized as self-determining organizations that have been created to provide disadvantaged constituencies with those opportunities, services, and influence that have not been available through normal or traditional channels. They may involve a particular neighborhood or section of a city, a special minority community or portion of that community, or persons too poor and disconnected to care adequately for their family needs and rights. Their premise is that neither the public nor private sector will pay sufficient attention to their problems and plight, that they themselves must determine and direct their own development. Economic development corporations reflect this avenue for greater economic opportunties for poor and minority communities. So do many of the cooperatives and cottage industries formed in recent years. Other groups and organizations have turned to social and political strategies for greater power and influence. The traditional social services provided by United Way agencies and government institutions have often neglected disadvantaged communities or delivered services in an ineffectual way. New organizations, more responsive to and directed by these communities themselves, have therefore been created to provide more relevant services to those most in need. Alternative schools, food stamp outreach and sales, community-based health centers, many Headstart programs, and non-traditional manpower programs are examples of this corrective approach to social services.

Without a long tradition of experience and recognition, and premised on the need for and desirability of change, both types of organizations have found the task of supporting themselves extraordinarily difficult. Unlike many other institutions, their financial support has not necessarily been correlated to their performance level. Indeed in some instances high productivity has insured inadequate backing. In a sense, they remain the financial stepchildren of the voluntary sector despite their crucial importance to the nation's economic and social programs.

Nowhere is this more evident than in their relationship with the governmental changes that have been introduced under the rubric of the New Federalism.

II

THE NEW FEDERALISM AND GOVERNMENT POWER

The New Federalism, introduced over the past few years, represents a tremendous challenge to institutions concerned with the strength of the voluntary sector. It is altering the relationship between the federal, state, and local governments, as well as the authority and power each exercises. It is redefining the responsibilities of the three levels of government toward the protection of the nation's minority and disadvantaged groups. It has concentrated much greater power in the executive branches of state and local governments without simultaneously strengthening the legislative branches. And it has changed the federal government's attitudes about and policies toward voluntary sector organizations.

The devolution of governmental power and control has been implemented without due regard to the capacity of local governments to exercise these new responsibilities or their willingness to conduct business openly and to be held accountable. Nor have local and state governments been compelled to reform their archaic bureaucratic or procedural practices as a condition of receiving this new public trust. The New Federalism assumes that these governments have the competence to perform adequately or that, if they do not, the exercise of new responsibilities will somehow produce the necessary competence. There is ample evidence that both assumptions are fallacious.

The inroads of the New Federalism have been quiet, subtle, and slow. Much of its foundation has been laid by executive fiat without broad public awareness. Only after two years of operation is general revenue sharing, its most publicized program, beginning to be understood by the general public. The special revenue sharing measures recently introduced are still mysteries to most people. A great deal of what has happened over the past few years has not been the subject of extensive legislative debate or public discussion, even though it will have an enormous impact on community life and priorities everywhere.

The operation of many local governments has traditionally been a relatively closed system. Citizens and community groups have enjoyed little or no opportunity to participate in and influence the priority-setting and decision-making government processes. Local budget procedures are still a mystery to most local organizations and individuals. Public information about city and county activities has been limited and often tightly controlled. A large number of elected and appointed officials have tended to treat the general public more as an obstacle to efficiency than as clients whose interests they are supposed to serve. Most citizens have never been involved in local government affairs except peripherally at election time. They view their governments largely as remote entities, divorced from their personal lives, secretive in their dealings, and callous to many of their needs.

As long as city and county governments were relatively weak, had to contend with strong independent local authorities and federal programs, and had limited control of much of the money channelled into their jurisdictions, this non-democratic state of local government affairs was tolerable, if not particularly productive. Citizens, particularly minority constituencies, could look to the federal government and independent institutions and programs for redress and the protection of their rights and interests. Private nonprofit organizations financed directly or indirectly by the federal government and a few foundations could and did provide an outlet for active citizen involvement in local public activities. In short, a balance of power existed which restrained local governments' influence over and control of its citizenry.

The New Federalism has upset this balance of power, tilting it heavily on the side of officialdom and government bureaucracy. Revenue sharing and the concept of Chief Executive Review of proposals, the A-95 system of federal coordination by local public officials, and other shifts have given chief executive officers much greater control over the funds entering their jurisdictions than they have ever enjoyed before.

Even in the areas of program planning and coordination the administration has made it clear that private sector organizations are not to have a role to play. Representation on the A-95 federal review and coordination bodies is limited to governmental representatives; there is no provision for citizen involvement or private sector participation. Citizen involvement has been downgraded in all federal programs. In some it has become merely advisory; in others it has become so permissive a requirement that it is being ignored. The attempt to eliminate OEO and community action as well as the major cuts made in the Model Cities program attest to the difficulties experienced by independent citizen action in recent years in relating to government programming.

Adding momentum to this swing of the power pendulum has been the conscious decision of the administration to end direct federal support and encouragement of private nonprofit groups.

For disadvantaged and minority communities—either ethnic, class, or political—decentralization of government authority and the decategorization of federal grants represents a throwback to the 1940s. They cannot forget that categorical programs and federal strings were introduced precisely because state and local governments could not or would not protect their rights and guarantee them equal economic and social opportunities.

While the local political scene has changed in the past decade or two, it has not changed that much. Elected officials still make decisions based on majority opinion and pressure, and disadvantaged and minority groups know that where they are in the minority their interests and rights are likely to be ignored. The federal responsibility for and guarantees of minority rights and concerns that characterized the 1960s are being attenuated by the New Federalism and its programs. Redress and justice must be sought increasingly at the local level, which is difficult, or through the courts, which takes an inordinate amount of time.

A number of the reforms mandated by the New Federalism were necessary and potentially productive. The categorical grant system was in great need of consolidation and simplification. Local governments, lacking the means with which to be responsive to community needs, required additional resources and authority. Unfortunately, the doctrinaire way in which these reforms and other aspects of the New Federalism has been implemented has not corresponded to the requirements of a responsive government or an interested and active citizenry.

Government has been strengthened at the expense of the voluntary sector, not as a more effective partner to the voluntary sector. Greater power without commensurate capability or public accountability presents a dangerous potential for local corruption and tyranny. The federal government has refused to provide for checks and balances at the local level.

Only the voluntary sector can fill this gap.

The Need for Community-Based Organizations

The manner in which general revenue sharing has been allocated and used reflects a number of the problems raised by the simultaneous increase in local government authority and reduction in federal responsibilities and controls.

Although touted as a mechanism for bringing power to the people, general revenue sharing has not perceptibly increased citizen involvement in local budgetary processes or local government matters, except in the relatively few communities that have had access to additional resources, technical assistance, and outside stimuli. Where citizen activity has occurred, it has usually been the result of citizen group initiatives, not those of elected or appointed officials. These officials appear to have little predisposition to open local government processes to greater citizen planning, participation, or evaluation. Despite a few notable exceptions, local officials have tended to neglect the public aspects of their public-service mission.

Nor does it appear that general revenue sharing has channelled a fair share of its funds to the disadvantaged and minority communities. Only 3 percent of the money spent by localities has been channelled into social services for the poor and the aging. Even less has gone into housing, community development, and other programs for the disadvantaged. This is an indicator of the problem that these groups are apt to encounter at the local level in attempting to gain priority attention and service.

Since priorities will be determined increasingly by local officials, mostly through local political processes, those constituencies that exercise the least influence or power will have to organize more effectively to press their case. Where desirable and possible, they will want to join with other similar groups to form more powerful coalitions capable of winning local government attention and programs.

Neighborhood and community groups are therefore assuming new roles: monitoring state and local government programs and performance; assessing community needs as a vehicle for more responsive government action; analyzing and intervening in the local budgetary processes; pressing for governmental reform; and assuming more adequate mechanisms for broad citizen involvement in government affairs. In many cases these additional functions will require capable leadership, specialized skills, and greater resources.

It is ironic that at the very moment when community-based organizations are more needed than ever, they should find themselves more financially strapped. A great number of community groups are dying on the vine. Others have either gone out of existence or are lying dormant, hoping that the trickle of funds can be turned on again. Numerous organizational efforts have died because of a lack of money, while ongoing organizations have had to reduce their program and staff levels and, consequently, their effectiveness.

There are a number of reasons for this state of affairs. The federal government's decision to reduce substantially the direct funding of private nonprofit organizations has taken a heavy toll. The recession has limited the money available through foundations. Churches and unions do not have the funds available for local organizations that they once did. The corporate world, no longer faced by the prospects of rioting and ghetto rhetoric, appears to have retrenched and weakened its commitment to community organizations and change at the local level. And few United Way affiliates have shown much interest in supporting community-based, issue-oriented, and activist organizations or coalitions. Given their broad structure, they are likely to continue the emphasis on traditional social service agencies and the voluntarism of the old school.

The financial prospects for community organizations remain dim. Only the foundations, despite their financial plight, appear to be a promising potential source of money for community groups in the short run. This potential, however, is dependent on the likelihood that the foundations can and will change their priorities.

National Problems and the Need for National Organizations

A vital, effective network of community organizations, ranging from neighborhood groups to local Leagues of Women Voters to antipoverty agencies to better-government groups, will depend not only on adequate resources but on regional and national support systems that can provide a continual flow of information, contacts, and technical assistance. Local organizations, particularly those concerned with public policy issues and intervention, are insulated from what is happening in Washington and from legislative and departmental decisions shaping federal programs. They find it difficult, if not impossible, to keep in touch with community development and model programs in other communities.

The national support and technical assistance organizations, unfortunately, are facing a financial crisis similar to that of their local affiliate groups. Many have had to reduce their budgets drastically. Others that were planning to expand their services to meet new needs have had to curb these plans.

The significance of national organizations is not limited to local groups or local public policies. They have had and will continue to have an important bearing on national policies and the federal government. Just as local governments will require careful watchdogging on the part of community groups, the federal government and its bureaucracies must be held in check by public scrutiny and voluntary organizations.

The record of national organizations active in monitoring the federal government and checking its abuses is already impressive. Civil rights organizations have successfully kept pressure on the government to promote equal opportunity in certain areas and redress discrimination in others. A coalition of private groups succeeded in 1971 in preserving OEO and community action and is once again fighting to maintain an independent federal antipoverty agency. Another coalition, with the help of

Congress, forced HEW to modify its restrictive guidelines for social services. And a few national organizations have been successful in bringing the major problems inherent in general revenue sharing to the attention of policy makers and the general public. More, not fewer, national groups must be involved in this continuing effort to keep the federal government open and honest.

In their efforts to influence public policies and satisfy their clients, the national voluntary organizations are constrained by a major deterrent, the provision that 501(c)(3) organizations are prohibited from conducting substantial lobbying. Businesses, unions, and the federal government itself, however, may lobby without risk to their corporate status. The constituencies represented by nonprofit organizations have equal legitimacy and should be heard by the Congress in its deliberations. Until the Internal Revenue Code is amended to permit voluntary nonprofit organizations to utilize a satisfactory percentage of their resources (15 to 25 percent) for lobbying purposes, these organizations and their constituencies will continue to be discriminated against.

III

THE FOUNDATIONS AND THEIR PRIORITIES

Although the foundations appear to be the only likely source of immediate financial support for local community organizations and national groups concerned with public policies, their record indicates that they will have to change their priorities drastically to meet this challenge.

Traditionally, the foundations have channelled their funds into established national and local institutions, such as universities, research institutes, cultural and artistic groups, old line agencies, and professional organizations. They have generally avoided grass-roots, neighborhood, activist, and social change oriented organizations, either low income or middle class. Their stress has been far more on safe, respectable projects than on the cutting edge of public issues and policy. While innovators in research and technology, they have for the most part lagged behind on social and governance problems.

In the 1960s, with the upsurge of community action and the growth of community groups, a relative handful of foundations began to take an interest in community-based organizations and social change. But their numbers never grew appreciably, nor did their priorities rub off on the world of philanthropy. Possibly 20 to 30 foundations, most of them in the East, have borne the burden of supporting community-based organizations. When the amount of money granted by The Ford Foundation is subtracted from the total allocated to these groups and their support organizations, the limited foundation involvement becomes readily apparent.

Two of the most frequently given rationales for not supporting community organizations are the memory of the confrontation strategies of local groups in the 1960s and the constraints imposed by the Tax Reform Act of 1969. The first is based largely on a myth about what actually happened in the 1960s. While a few community organizations did take to the streets to protest social conditions, most of these in an orderly and legal way, the great majority of them went about their neighborhood or community business in a normal manner. It is too easy to characterize the few hell-raising groups as typical of the genre. Moreover, the 1970s bear little resemblance to the 1960s. Community organizations today have different strategies and styles from their earlier counterparts.

The Tax Reform Act, in proscribing political activities by grant recipients, has set some limits on foundation activities. Yet it in no way impedes foundations from giving money to the hundreds of community-based organizations that are not actively engaged in political efforts. Why, then, has it been so difficult for these groups to obtain funds? Why have the League of Women Voters Education Fund and its affiliates been so hard-pressed financially? Why have other middle-class organizations interested in social action and government reform had trouble getting financial support? One reason may well be that many foundations have used the Tax Reform Act to cloak their own priorities and interests. Most were not interested in community organizations, social change, and government affairs before the Act and have not changed their priorities since.

The New Federalism, as has been mentioned, has realigned the relationships and responsibilities between the three tiers of government. Its implementation will affect tax policies, civil rights enforcement, and the services provided for low-income and working-class people. It will help determine the direction and nature of development for the next decade. One might reasonably have expected the foundations to take a great interest in this development and to have tested the assumptions behind revenue sharing programs and the decentralization of government authority. Little such interest has been exhibited. Once again the foundations find themselves in the rearguard rather than the vanguard of the nation's institutional development.

If the family and community foundations have been reluctant to finance projects revolving around public policy and social change, the corporate foundations appear to have established an even more unimpressive record. As the corporations' commitment to urban and community problems wane, their foundations' policy can be expected to become more, not less, conservative.

The unrepresentative nature of the majority of foundation boards may be one of the major reasons for the foundations' priorities and posture. Heavily weighted toward corporate representatives and family members, foundation boards cannot be expected to reflect either a broad perspective of the country's interests and needs or a progressive view of social and economic change.

The staffs of many foundations also leave something to be desired. Many are selected for those cautious qualities reflected on the boards. Others are appointed because of their corporate or family ties. Few appear to have been activists, community organizers, union officials, or persons with real public policy experience.

If the foundations are to meet the challenge of the 1970s and 1980s, their boards and staffs will have to become more diversified and representative of the society at large. Organizations such as the Council on Foundations will have to accelerate their efforts to educate the foundations about their responsibilities and obligations. Public interest groups and research organizations will need to focus critical attention on the foundations and enter into a dialogue with them.

The Responsibilities of Other Voluntary Organizations

The traditional role of the individual volunteer providing program service time will remain an important social contribution and outlet for personal commitment and energy. That role, however, should be continually subject to analysis and redefinition in order to meet the tests of relevance and high priority. In areas with high concentrations of poor and minorities, the demand for volunteers is likely to be limited to persons with specific skills in business, law, and accounting, or other necessary specialities. In these districts, as well as in urban areas in general, the emphasis may be placed on group action rather than on individual service, on the need to work with and through powerful neighborhood or community organizations that can successfully influence public policies and equalize the distribution of resources. For such organizations, volunteers may prove most useful in soliciting support, both financial and political. More and more volunteers will want to turn from applying band-aids to the symptoms to attempting to change the system itself.

National organizations like the National Center for Voluntary Action and the United Way and community umbrella organizations, such as the local United Ways and Voluntary Action Centers, have a responsibility to help redefine the role of volunteers. They must help channel the energies of millions of Americans to meet changing societal requirements.

All too many local United Ways have not adapted to modern times. The funds they distribute are often not directed at their communities' gravest problems or to the neediest, most meritorious organizations. A large number are still reluctant to take on the most pressing public issues, even though these issues directly affect their client populations. More responsible and aggressive leadership will be required if the United Way organizations are to be a significant local force for progressive change.

The universities and colleges have a dismal record as providers of community resources and services. Endowed with a plentiful supply of trained researchers and student workers, the universities have the skilled manpower voluntary organizations are seeking. Their new rhetoric of community involvement and public service has not been matched by any collective commitment to action from the administration, faculty or, indeed, student level. At the very moment when they are most needed to provide community services, they are either unprepared or unwilling to respond to the challenge.

In general, the great majority of educational institutions have only involved themselves in community-related activities when they were well compensated to do so. The excuse for this "involvement only if paid" approach has been that universities are experiencing budget difficulties and that extra commitments require additional resources. This lame rationale is difficult to accept. Whether professors work with community groups, students become involved in social isssues, or administrators encourage public service from the university are not matters of available dollars or additional resources. They depend instead upon educational values, institutional commitment, and quality of leadership. A university or college has the right to decide if a professor's obligation stops with teaching and research or if it goes beyond these tasks to the needs of the community and society in general.

A good number of the problems reflected in the policies and practices of voluntary organizations, whether they are universities, local United Ways, or national organizations, can be traced to their board composition and board involvement. Like foundations, many universities and other institutions have trustees who are unrepresentative of the community at large, representing instead certain established interests. Such representation tends to cultivate caution and conservatism and to limit the fresh air injected into policy deliberations.

Frequently, the board members are trustees in name only. They may be too busy or disinterested, or they may be selected only for their reputation and prestige. Policy making and the affairs of the institution are left entirely in the hands of professional administrators, and the potential for intelligent lay direction and performance evaluation is thereby lost. There is a saying in Washington that the most unaccountable persons in town are the staff directors of the private national organizations. This could just as easily be said of many other administrators in the voluntary sector throughout the country. Until their boards are truly active and functional, these organizations will find it difficult to exercise the influence and produce the results we have come to expect.

IV

RELATIONSHIP BETWEEN THE PRIVATE AND PUBLIC SECTORS

There has always been an element of tension and uncertainty in the relationship between the voluntary and public sectors. The voluntary sector has acted as a check on governmental excess and corruption while the public sector has regulated the broad framework within which the voluntary sector has operated. This difficult but productive relationship must continue, particularly in view of the dangers inherent in the New Federalism.

There should, however, be a better understanding of what the voluntary sector can and cannot do as well as of the financial problems it can be expected to experience. It is clear, for example, that the economy may prevent philanthropy from raising its expenditure level over the next few years. Foundations, United Ways, and other institutions, therefore, will be forced to choose between maintaining their present priorities or, in order to move in new directions, transferring some of these responsibilities to public bodies.

As a general rule, philanthropic organizations should retain or adopt those programs and issues that cannot or should not be sponsored by governments. The arts and culture, for example, are receiving growing support from federal and state government agencies. Their activities should properly be considered an element of public education to be funded through public funds. There will thus be a decreasing need for foundations to support orchestras, ballets, and cultural institutes, thereby releasing funds for other purposes.

Having divested themeselves of these projects, foundations will be in a better position to meet the challenge of supporting public issues development, community-based organizations and their national support groups, social change experiments, and the monitoring of government performance. For these are responsibilities that governments cannot undertake and with which they should not be entrusted. Science and technology are other activities that could and should receive greater government support and be less dependent on philanthropy, as long as steps are taken to ensure that such basic research will not be subjected to arbitrary political influence.

While citizens and voluntary organizations will have to bear most of the responsibility for holding local governments accountable and for the development of public issues, governments should be expected, regardless of their party and philosophy, to put the New Federalism to the test by establishing effective mechanisms for citizen involvement in local planning, program operations, and evaluation.

If this is to be done, the federal government will have to take a strong initiative that it has so far been reluctant to take. Instead of reducing citizen involvement in federal programming, it will have to increase it substantially. If this does not happen, the gap between the voluntary and public sectors will grow, and dissatisfaction and despair with our public institutions will continue to grow dangerously. Guarantees of citizen involvement in government processes will not be sufficient to give many Americans equal opportunities to obtain their piece of the economic and social pie. Community action programs and community economic development corporations (CDC's) have successfully served as institutional vehicles for access to goods, services, leadership training and jobs previously denied to poor, working poor, and minority communities. They must be continued and strengthened, not undermined or eliminated.

Community action agencies and CDC's and related agencies, though funded by the federal government, remain one of the largest voluntary networks in the country. Over 200,000 persons, many of them poor with no previous record of community involvement, are serving on their boards and committees as unpaid volunteers. They deserve support from the voluntary sector. It is ironic that so little support for them has come from two organizations that are in the forefront of the voluntary sector movement, the United Way and the National Center for Voluntary Action.

Research Needs

A considerable amount of attention has been paid to philanthropic giving, the 1969 Tax Reform Act, and the strategies for increasing voluntary sector funding – in short, to where and how money is raised. The Filer Commission's inquiry should add considerably to this body of information.

Much less–in fact very little–research has been carried out to determine what happens after the funds have been raised, and how effectively the money is distributed and spent. Who gets what? What are the priorities of voluntary organizations, and are these changing? Do they meet society's changing needs? What is the impact of voluntary organizations' programs and services? How and by whom are they evaluated? Are their boards and staff qualified to perform effectively? How has voluntarism changed in the last few decades? Whom is it benefiting? Whom should it benefit?

These are the questions that call for examination and answers. The Center for a Voluntary Society, with the help of a National Science Foundation grant, began the groundwork necessary for this continuing study. It must be carried on.

A STUDY OF THE QUANTITY OF VOLUNTEER ACTIVITY OF UNITED WAY AND ITS MEMBER AGENCIES

United Way of America

Introduction

United Way of America is the national association of local United Way organizations. Local United Way organizations serve virtually every community in the nation. They have arisen because of the spontaneous concern of citizens to help one another voluntarily, and thereby make their communities better places for all to live and work. United Way of America believes the opportunity to render volunteer service for the benefit of one's community is a priceless value which voluntary organizations bring to our country.

Voluntary activity has been a predominant characteristic of American life since the earliest years of the Republic. It has helped insure the vitality and responsiveness of our social and political institutions. It has permitted citizens the opportunity to respond to their own needs and the needs of others by organizing voluntarily to meet those needs.

Although voluntary activity is difficult to describe, and its intangible benefits may never be measured, United Way of America has, it is hoped, provided through this study a more accurate perspective on volunteer activity. The study's purpose was to obtain data reflecting the magnitude of United Way volunteer community service activity in the United States in the fields of health, welfare, informal education, recreation and leisure and to contrast this data with the amount of paid professional hours in these fields.

United Way of America is aware of the limitations of this study. For example, it does not measure the number of volunteers and the quality of volunteer service, nor does it attempt to project a money value for volunteer activity. It is not inclusive of all volunteer activity (it covers only United Way and member agencies), and it represents only one indicator–volunteer hours–of such activity in those organizations covered in the study.

Despite these limitations, United Way of America hopes that this study will encourage others to undertake additional research, so that an even more complete picture of volunteer service can be obtained.[1]

A Summary of Major Findings

- United Way and its member agencies average an estimated 2.4 billion volunteer person hours per year.

- The largest percentage of all voluntary activity (over 80 percent) is in the area of direct program activity. Fund raising and policy setting account for the remainder of volunteer activity. Within the area of direct program service, over 90 percent of voluntary activity is in the area of personal and social adjustment and development, which includes primarily character building and recreation agencies for youth.

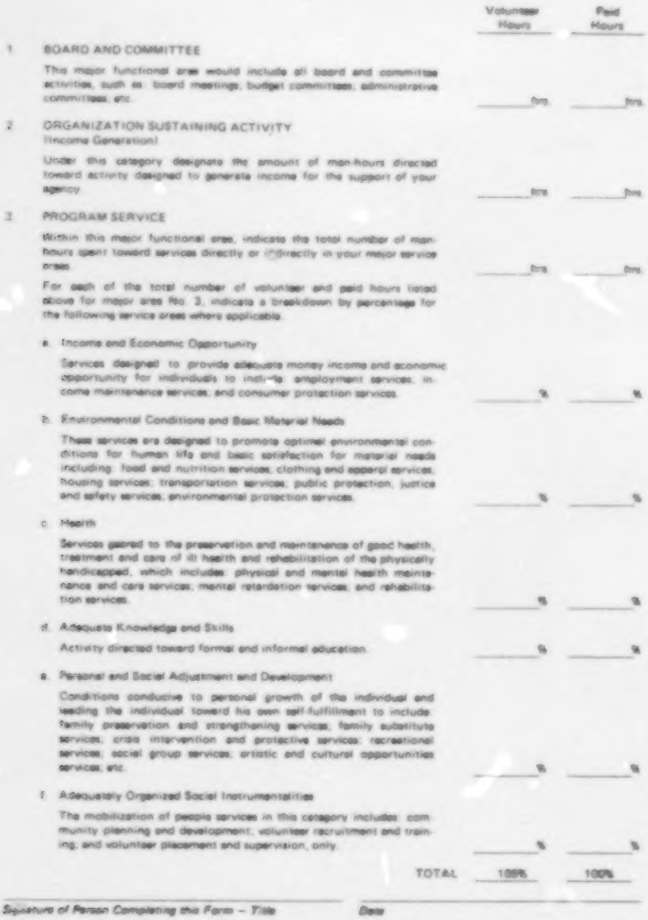
- When volunteer activity is compared with paid professional staff activity, the ratio of volunteers to paid professionals is highest in activities in which volunteers set policy and generate income for the organization, and lowest in areas of direct program activity.

Methodology

Data upon which the study was based were obtained from local United Way organizations and their member agencies and reflect the magnitude of volunteer community activity in calendar 1973 or the fiscal or program year ending in 1973 for each reporting organization in the fields of health, welfare, informal education, and recreation and leisure.

The unit of measure used was person hours (man hours) per year for paid professional staff members and for volunteers. *Paid professional* refers to hours spent by a worker receiving compensation (not reimbursement for services rendered) in the performance of program work and does not include clerical or other "supportive" personnel.[2] *Volunteer* refers to hours spent by a person receiving *no* compensation but who could receive reimbursement for out-of-pocket expenses incurred in rendering services. Time counted for volunteers was limited to time actually spent in performance of service. Time spent commuting to and from the place where service was performed was not counted.

Figure 1



Volunteer Hours   Paid Hours

1 BOARD AND COMMITTEE

This major functional area would include all board and committee activities, such as: board meetings; budget committees; administrative committees; etc.
______hrs. ______hrs.

2 ORGANIZATION SUSTAINING ACTIVITY
(Income Generation)

Under this category designate the amount of man-hours directed toward activity designed to generate income for the support of your agency.
______hrs. ______hrs.

3 PROGRAM SERVICE

Within this major functional area, indicate the total number of man-hours spent toward services directly or indirectly in your major service areas.
______hrs. ______hrs.

For each of the total number of volunteer and paid hours listed above for major area No. 3, indicate a breakdown by percentage for the following service areas where applicable.

a. Income and Economic Opportunity

Services designed to provide adequate money income and economic opportunity for individuals to include: employment services; income maintenance services; and consumer protection services.
______% ______%

b. Environmental Conditions and Basic Material Needs

These services are designed to promote optimal environmental conditions for human life and basic satisfaction for material needs including: food and nutrition services; clothing and apparel services; housing services; transportation services; public protection, justice and safety services; environmental protection services.
______% ______%

c. Health

Services geared to the preservation and maintenance of good health, treatment and care of ill health and rehabilitation of the physically handicapped, which includes: physical and mental health maintenance and care services; mental retardation services; and rehabilitation services.
______% ______%

d. Adequate Knowledge and Skills

Activity directed toward formal and informal education.
______% ______%

e. Personal and Social Adjustment and Development

Conditions conducive to personal growth of the individual and leading the individual toward his own self-fulfillment to include: family preservation and strengthening services; family substitute services; crisis intervention and protective services; recreational services; social group services; artistic and cultural opportunities services; etc.
______% ______%

f. Adequately Organized Social Instrumentalities

The mobilization of people services in this category includes: community planning and development; volunteer recruitment and training; and volunteer placement and supervision, only.
______% ______%

TOTAL 100% 100%

Signature of Person Completing this Form – Title   *Date*

The simplified form shown as Figure 1 was used to obtain data for specified activities. It was mailed to selected local United Way organizations, which were then responsible for mailing out and collecting forms from each of their participating agencies. A random sample of 174 cities was drawn from a universe of cities with United Way organizations. The sample was stratified, based on population size and geography (which took into account composition of population). (See Appendix for list of participating cities.)

I

BASIC DATA

Tables 1 and 2 provide information on the totals and ratios of volunteer person hours to paid professional hours by functional area according to population size and geographical region.

Table I

Totals and Ratios of Volunteer Person Hours to Paid Professional Hours by Population Size and Functional Area.

1. Board and Committee
2. Organization Sustaining Activity
3. Program Service

		Volunteer Person Hours	Paid Professional Hours	Ratio[a]
Over 1,000,000	1.	2,514,200	1,225,413	2/1
(N = 10 cities)	2.	10,777,899	1,418,694	8/1
total population = 25,875,745	3.	32,909,837	47,132,002	0.7/1
400,000 - 999,000	1.	1,237,128	339,517	4/1
(N - 17 cities)	2.	1,600,152	792,663	2/1
total population = 9,740,803	3.	16,433,844	8,338,305	2/1
200,000 - 399,999	1.	784,591	274,271	3/1
(N = 22 cities)	2.	965,778	354,276	3/1
total population = 6,571,589	3.	13,750,325	5,051,257	3/1
100,000 - 199,999	1.	1,374,619	263,043	5/1
(N = 36 cities)	2.	1,469,265	312,993	5/1
total population = 5,284,715	3.	22,558,952	4,664,771	5/1
50,000 - 99,999	1.	660,463	144,849	5/1
(N = 37 cities)	2.	803,169	181,897	4/1
total population = 2,791,199	3.	16,653,548	3,360,033	5/1
25,000 - 49,999	1.	484,144	68,789	7/1
(N = 31 cities)	2.	313,162	92,680	3/1
total population = 1,146,928	3.	7,275,491	1,566,451	5/1
Less than 25,000	1.	92,058	57,656	2/1
(N = 21 cities)	2.	151,665	35,124	4/1
total population = 382,532	3.	4,616,328	964,819	5/1
Overall Totals	1.	7,147,203	2,373,538	3/1
174 cities	2.	16,081,090	3,188,327	5/1
population total = 51,793,511	3.	114,198,325	71,077,638	2/1

a. Paid professional = 1

Table 2

Totals and Ratios of Volunteer Person Hours to Paid Professional Hours by Federal Regions (geographical) and Functional Area.

1. Board and Committee
2. Organization Sustaining Activity
3. Program Service

Population	Volunteer Person Hours	Paid Professional	Ratio[a]
I. 585,321	1. 384,376	48,256	8/1
	2. 229,921	46,995	5/1
	3. 3,847,901	866,924	4/1
II. 9,495,278	1. 407,754	176,178	2/1
	2. 1,004,667	406,138	2/1
	3. 6,465,656	16,547,552	0.4/1
III. 3,108,703	1. 560,180	140,973	4/1
	2. 461,286	157,552	3/1
	3. 9,335,146	3,279,752	3/1
IV. 3,673,349	1. 430,986	99,385	4/1
	2. 905,882	157,043	6/1
	3. 10,056,791	3,304,439	3/1
V. 15,166,442	1. 1,623,501	1,079,359	2/1
	2. 10,498,110	1,062,219	10/1
	3. 24,093,593	31,736,867	0.8/1
VI. 5,375,075	1. 454,872	215,424	2/1
	2. 808,885	719,043	1/1
	3. 11,609,177	4,505,953	3/1
VII. 2,735,583	1. 1,088,472	127,336	9/1
	2. 393,240	172,059	2/1
	3. 15,697,230	2,344,973	7/1
VIII. 1,849,990	1. 763,679	141,160	5/1
	2. 263,859	102,110	3/1
	3. 13,448,051	3,175,060	4/1
IX. 7,474,847	1. 830,509	170,775	5/1
	2. 1,118,635	234,809	5/1
	3. 12,368,481	2,772,408	4/1
X. 2,328,923	1. 602,874	174,692	4/1
	2. 396,605	130,359	3/1
	3. 7,276,299	2,543,887	3/1
Overall Totals	1. 7,147,203	2,373,538	3/1
174 cities	2. 16,081,090	3,188,327	5/1
population total = 51,793,511	3. 114,198,325	71,077,815	2/1

a. Paid professional = 1

I.	Maine, Vermont, New Hampshire, Massachusetts, Connecticut, and Rhode Island.
II.	New York, New Jersey.
III.	District of Columbia, Virginia, West Virginia, Maryland, Pennsylvania, and Delaware.
IV.	Kentucky, Tennessee, North Carolina, South Carolina, Mississippi, Alabama, Georgia, and Florida.
V.	Minnesota, Wisconsin, Illinois, Michigan, Indiana, and Ohio.
VI.	Texas, Louisiana, Arkansas, Oklahoma, and New Mexico.
VII.	Nebraska, Kansas, Iowa, and Missouri.
VIII.	Montana, Wyoming, North Dakota, South Dakota, Utah, and Colorado.
IX.	California, Nevada, Arizona, and Hawaii.
X.	Washington, Alaska, Oregon, and Idaho.

II

ESTIMATION OF TOTAL VOLUNTEER HOURS

The estimate of the total number of volunteer person hours for local United Way organizations and agencies is based on a 10 percent stratified random sample of 174 United Way cities in Metros I through XI[3] by which information on 2,181 agencies was obtained. These data are exclusive of Red Cross agencies since the American

National Red Cross supplied only nationwide figures, rather than a breakdown of volunteer hours by local chapters, to reflect the quantity of volunteer activity in their area. The estimates of volunteer activity supplied by the Red Cross were added to the total number of volunteer person hours derived from the results of the United Way survey.

Total number of agencies in the United Way system:	34,880
Less total number of Red Cross chapters:	3,177
	31,703
Number of agencies reporting:	2,181
Total number of volunteer person hours in reporting agencies:	137,426,618
Weight factor:	31,703 divided by 2,181 = 14.54
Volunteer person hours in total universe *less* Red Cross chapters	137,426,618 x 14.54 = 1,998,183,026
Grand Total, volunteer person hours, including Red Cross	1,998,183,026 468,230,936
	2,466,413,962

The total number of volunteer person hours is estimated to be in the range of 2.2 to 2.6 billion.

III

FINDINGS

The total number of volunteer hours generated in 1973 for United Way service organizations is estimated to be approximately 2.4 billion volunteer person hours.

Relationship of Program Service to Auxiliary Time

The total number of volunteer person hours was assigned to three major functional areas: (1) board and committee (policy setting), (2) organization sustaining activity (fund raising), and (3) program service. The breakdown of national totals appears in Table 3. Table 4 shows the breakdown of volunteer activity in the area of program service by six types of agency service programs.[4]

Table 3

Percentage of Volunteer Person Hours by Functional Area (exclusive of American Red Cross chapters)

Functional Area	% of Total Volunteer Hours
Board and committee	5.2%
Organization sustaining activity	11.7
Program service	83.1

Table 4

Percentage of Total Program Service Volunteer Hours for Each of Six Types of Agency Service Programs (exclusive of American Red Cross chapters)

	Agencies Grouped by Basic Program Service Areas[a]	
A.	Income and Economic Opportunity	0.3%
	Goodwill Industries	
	Employment Services	
B.	Environmental Conditions and Basic Material Needs	1.0
	Salvation Army	
	Missions	
	Transportation Services	
	Meal Services	
C.	Health	3.0
	Arthritis Foundations	
	Mental Health Associations	
	Home Health Agencies	
	Alcoholism	
	Hospitals	
	Tuberculosis Associations	
D.	Adequate Knowledge and Skills	1.2
	Special Education	
	Adult Education	
E.	Personal and Social Adjustment and Development	93.1
	Day Care	
	Family Counseling	
	YMCA – YWCA	
	Boys' Clubs – Girls' Clubs	
	Boy Scouts – Girl Scouts	
	Camp Fire Girls	
	4-H Clubs	
F.	Adequately Organized Social Instrumentalities	1.4
	Volunteer Bureaus	
	Planning Councils	
	Information and Referral	
	Neighborhood Development	

[a] Each organization was given a code, A-F, to designate where the major portion of that agency's volunteer program service time was expended. Categories are based on UWASIS (United Way of America Service Identification System) goals.

An analysis of the percentage figures in Table 4 by *population* indicate that there is no appreciable difference among cities of various sizes in the percentages of volunteer time accounted for by board and committee, organization sustaining activity, and program service areas.

Ratio of Volunteer to Paid Professional Time

The overall ratios of volunteer to paid professional activity for the three functional areas defined in this study are shown in Table 5.

Table 5

Ratios of Volunteer Person Hours to Paid Professional Staff by Functional Areas

Functional Area	Ratio: Volunteer to Professional[a]
Board and committee	3.0 to 1
Organizational sustaining activity	5.0 to 1
Program service	1.6 to 1
Average Overall Ratio:[b]	1.8 to 1

a. Paid professional = 1
b. Ratio of the sums of total volunteer hours versus sums of total professional hours

Volunteer Time and Community Size

An estimate of per capita volunteer United Way activity in the United States points toward an average 10 person hours per year based on a U.S. population of 210,000,000. Communities with populations of 20,000 to 60,000 tend to have a per capita volunteer activity among United Way member agencies nearly double that of cities with populations in excess of 1 million.

Program Service Intensity

There is an indication of program service intensity when comparing volunteer to professional person hours by functional areas. (See Table 6.) Each of the six program service areas reports a predominance of volunteer services performed in board and committee and in organization sustaining areas. This finding emphasizes the importance of volunteer activities in the functional areas of policy setting and organizational maintenance, which provides the necessary support for the program activity of agencies. The surprisingly high ratio of volunteer hours to professional hours in the area of organization sustaining activities for F type agencies may be explained by the unique character of this agency type which in many cases is continually in the process of developing services, defining needs, and tapping available community financial resources, tasks that are traditionally the domain of volunteers.

Table 6

Ratios of Volunteer to Professional Activity Within Three Functional Areas for Each of Six Types of Agency Service Programs.

Agencies Grouped by Basic Program Service Areas[a]	Board and Committee (Vol./Prof.)	Organization Sustaining Activity (Vol./Prof.)	Program Service Ratio[b] (all areas) (Vol./Prof.)
A. Income & Economic Opportunity Goodwill Industries Employment Services	1.1/1	3.2/1	0.4/1
B. Environmental Conditions & Basic Material Needs Salvation Army Missions Transportation Services Meal Services (Meals on Wheels, etc.)	3.4/1	1.7/1	0.6/1

Table 6 (Cont.)

C.	Health Arthritis Foundations Mental Health Associations Home Health Agencies Alcoholism Hospitals Tuberculosis Associations Etc.	3.4/1	.8/1	0.4/1
D.	Adequate Knowledge & Skills Special Education Adult Education	1.8/1	1.0/1	0.3/1
E.	Personal & Social Adjustment and Development Day Care Family Counseling YMCA – YWCA Boys' Clubs – Girls' Clubs Boy Scouts – Girl Scouts Camp Fire Girls 4-H Clubs	3.4/1	3.4/1	2.0/1
F.	Adequately Organized Social Instrumentalities Volunteer Bureaus Planning Councils Information and Referral Neighborhood Development	1.1/1	16.2/1	0.7/1

a. Each organization was given a code, A-F, to designate where the *major portion* of that agency's volunteer program service time was expended. Categories are based on UWASIS (United Way of America Service Identification System) goals.

b. Paid professional = 1

Allocation of Manpower

Table 7 represents the frequency distribution of all reporting agencies in each program service area, listed by type of activity and by ratio of volunteer to professional person hours.

The findings displayed in the table are a more detailed supplement to the information contained in Table 6. Table 7 collapses the reported volunteer/professional ratios into three categories (less than 1/10; greater than 1/10, but less than 1/1; and over 1/1) in order to analyze the volunteer and professional make-up within the organizational environment in which each type of agency performs its overall (type I) and its special objective related (type II) program services. Thus, Table 7 is an indicator of volunteer program orientation or program intensity in various types of agencies as explained by the frequencies found within the three ratio categories.

The different volunteer/professional ratios in each program service area describe the make-up of the organizational structure in which the selected agency types perform their services. A ratio of less than 1/10 means a work situation with a *predominantly* professional staff administering the services while a ratio of over 1/1 indicates agency activities in which the volunteer element dominates. The middle category "less than 1/1 but greater than 1/10" describes the wide range between the two above-mentioned extremes. For example: E (personal and social adjustment and development) type agencies have an overall ratio of 2 volunteers to 1 professional. In this case, the volunteer-dominated situation is evident in more than half (54 percent) of all reporting agencies for type I activities. The same result applies to

Table 7

ALLOCATION OF MANPOWER[a]

Frequencies of Program Service Ratios to Volunteer and Professional Time

Type I denotes ratio of *all* program service time for A, B, C, etc., type agencies to *total* volunteer time.

Type II denotes ratio of *only* A or B or C, etc., type program service time to other program service areas.

		Predominance of professional activity		to	Predominance of volunteer activity	
Program Service Area	**Ratio volunteer/professional**		**Ratio less than 1/10**	**Less than 1/1 but greater than 1/10**	**Ratio over 1/1**	**Total Agencies**
A. Income & Economic Opportunity (Goodwill Industries, Employment Services, Etc.)	4/10	Type I activities	44%	27%	29%	100%
		Type II activities	37	34	29	
B. Environmental Conditions & Basic Material Needs (Salvation Army, Missions, Transportation Services, Meal Services, Etc.)	6/10	Type I activities	31	32	37	
		Type II activities	19	37	44	
C. Health (Arthritis Foundations, Mental Health Associations, Home Health Agencies, Alcoholism, Hospitals, Tuberculosis Associations, Etc.)	4/10	Type I activities	44	31	25	
		Type II activities	30	40	30	
D. Adequate Knowledge & Skills (Special Education, Adult Education, Etc.)	3/10	Type I activities	31	44	25	
		Type II activities	25	38	37	
E. Personal & Social Adjustment and Development (Day Care, Family Counseling, YMCA - YWCA, Boys' Clubs - Girls' Clubs, Boy Scouts - Girl Scouts, Camp Fire Girls, 4-H Clubs, Etc.)	20/10	Type I activities	18	28	54	
		Type II activities	19	31	50	
F. Adequately Organized Social Instrumentalities (Volunteer Bureaus, Planning Councils, Information and Referral, Neighborhood Development, Etc.)	7/10	Type I activities	18	44	38	
		Type II activities	16	30	54	

a. Example of interpretation: In Program Service Area A, 44% of all reporting agencies perform their program service (type I activities) in a situation that is marked by the predominance of paid professionals (with a ratio less than 1/10).

type II activities (primary program service related to other program services performed by the agency) where volunteers dominate 50 percent of all agencies involved in E program service activities.

Acknowledgements

United Way of America acknowledges with deep appreciation the assistance given by hundreds of local United Way organizations, member agencies, professionals and volunteers who spent considerable time and effort to provide the data that made this important report possible. National agencies that participated in the study are: American National Red Cross, Boy Scouts of America, Boys' Clubs of America, Campfire Girls, Inc., Child Welfare League of America, Inc., Council of Jewish Federations and Welfare Funds, Family Service Association of America, Girls' Clubs of America, Inc., Girls Scouts of America, Goodwill Industries of America, Inc., National Association for Mental Health, Inc., National Council of the Young Men's Christian Associations of the United States of America, National Conference of Catholic Charities, National Urban League, the Salvation Army, Travelers Aid-International Social Service of America, Young Women's Christian Association of the United States of America.

Mr. John S. Glaser of United Way of America was the project director; Mr. Kenneth Unzicker directed the research; Ms. Val Tenge Moore was involved in the final editing process and interpretation of the data; and Mr. Myron Falk was retained as a special consultant for the project.

Appendix

List of 174 Cities Participating in the United Way Study

Tuscaloosa, Ala.

Anchorage, Alaska

Flagstaff, Ariz.

Fort Smith, Ark.
Jonesboro, Ark.
Little Rock, Ark.

Bakersfield, Calif.
Chico, Calif.
China Lake, Calif.
Eureka, Calif.
Modesto, Calif.
Monterey, Calif.
Riverside, Calif.
Sacramento, Calif.
San Diego, Calif.
San Francisco, Calif.
Santa Barbara, Calif.
Santa Rosa, Calif.
Stockton, Calif.
Ventura, Calif.
Victorville, Calif.
Woodland, Calif.
Yuba City, Calif.

Colorado Springs, Colo.
Denver, Colo.
Fort Collins, Colo.
Pueblo, Colo.

Branford, Conn.
Norwalk, Conn.
Southington, Conn.

Wilmington, Del.

Vero Beach, Fla.
West Palm Beach, Fla.

Macon, Ga.
Newnan, Ga.
Savannah, Ga.

Boise, Idaho

Anna, Ill.
Aurora, Ill.
Beardstown, Ill.
Carbondale, Ill.
Chicago, Ill.
Decatur, Ill.
East St. Louis, Ill.
Elgin, Ill.
Galesburg, Ill.
Macomb, Ill.
Monmouth, Ill.
Morris, Ill.
Rockford, Ill.
Streator, Ill.

Fort Wayne, Ind.
Greencastle, Ind.

Griffith, Ind.
Kokomo, Ind.
Muncie, Ind.

Ames, Iowa
Boone, Iowa
Dubuque, Iowa
Fort Dodge, Iowa
Muscatine, Iowa
Sioux City, Iowa

Hays, Kan.
Kansas City, Kan.
Topeka, Kan.
Wichita, Kan.

Lexington, Ken.
Louisville, Ken.

Alexandria, La.
Baton Rouge, La.
New Orleans, La.
Shreveport, La.

Bangor, Maine
Portland, Maine

Cumberland, Md.

Williamstown, Mass.

Grand Rapids, Mich.

Manistee, Mich.
Monroe, Mich.

Minneapolis, Minn.
Winona, Minn.

Gulfport, Miss.

Kansas City, Mo.
Nevada, Mo.
Poplar Bluff, Mo.
St. Joseph, Mo.
Wellsville, Mo.

Billings, Mont.

Lincoln, Neb.
Omaha, Neb.

Reno, Nev.

Manchester, N.H.
Nashua, N.H.

Morristown, N.J.
Union County, N.J.

Albuquerque, N.M.
Santa Fe, N.M.

Albany, N.Y.
Amsterdam, N.Y.
New York, N.Y.
Oswego, N.Y.
Rome, N.Y.
Seneca Falls, N.Y.
Troy, N.Y.

Asheville, N.C.
Durham, N.C.
Fayetteville, N.C.
Gastonia, N.C.
Reidsville, N.C.
Wilmington, N.C.

Fargo, N.D.
Grand Forks, N.D.

Akron, Ohio
Cleveland, Ohio
Dayton, Ohio
Fostoria, Ohio
Hamilton, Ohio
Ironton, Ohio
Montpelier, Ohio
Sidney, Ohio
Toledo, Ohio

Ardmore, Okla.
Stillwater, Okla.
Tulsa, Okla.

Corvallis, Ore.

Bloomsburg, Pa.
Kittanning, Pa.
Pottstown, Pa.
Scranton, Pa.
Uniontown, Pa.
Vandergrift, Pa.
Waynesboro, Pa.
Wilkes-Barre, Pa.

Charleston, S.C.
Columbia, S.C.

Rapid City, S.D.
Sioux Falls, S.D.

Bristol, Tenn.
Chattanooga, Tenn.
Clarksville, Tenn.
Cleveland, Tenn.
Beaumont, Tex.
Big Spring, Tex.
Fort Worth, Tex.
Galveston, Tex.
Killeen, Tex.
Angleton, Tex.
Lubbock, Tex.
Midland, Tex.
Odessa, Tex.
San Antonio, Tex.
Waco, Tex.
Wichita Falls, Tex.

Ogden, Utah
Provo, Utah
Salt Lake City, Utah

Charlottesville, Va.
Norfolk, Va.
Richmond, Va.

Bellingham, Wash.
Bremerton, Wash.
Everett, Wash.
Tri-Cities, Wash.
Moses Lake, Wash.
Port Angeles, Wash.
Seattle, Wash.
Spokane, Wash.

Charleston, W.Va.
Huntington, W. Va.
Weston, W. Va.

Wausau, Wis.
Wisconsin Rapids, Wis.

Casper, Wyo.
Cheyenne, Wyo.

Footnotes

1. A review of the total voluntary activity in the United States can be found in an article by David Horton Smith and Burt R. Baldwin in "Voluntary Associations and Volunteering in the United States," *Voluntary Action Research 1974: Voluntary Action Around the World*, David Horton Smith, ed. (Boston: D.C. Heath & Company). A selective bibliography can be found in David Horton Smith, "Voluntary Action and Voluntary Groups," *American Review of Sociology*, Alex Inkelef, ed. (Palo Alto: Annual Review Inc., 1975).

Of particular interest is *Americans Volunteer* by the Manpower Administration, U.S. Department of Labor, 1969; Stanley Levin and Robert J. Griggs, *Volunteering in Rehabilitation Facilities*, (Washington, D.C.: Goodwill Industries of America, 1971); and a study by the Bureau of Census and ACTION to "provide a measure of the extent of volunteer work and the kinds of services it provides," scheduled to be published in early 1975.

2. The research staff determined that comparisons would be more meaningful by excluding staff not directly involved in program administration or activity.

3. The range in metro size is from large-size Metro I cities, which raise over $9 million, to Metro XI cities, which raise under $25,000. Fund-raising abilities generally conform to population size.

4. Although it was recognized that agencies perform a multiple of services, it was necessary to group them according to their *predominant* area of service.

A PHILANTHROPIC PROFILE OF FOUR CITIES: ATLANTA, CLEVELAND, DES MOINES, HARTFORD

This series of community studies was prepared under the direction of the Institute of Public Affairs, Inc., New York. A brief summary of the studies, prepared by the Institute of Public Affairs, is followed by reports highlighting the major findings of each community survey.

SUMMARY

Private philanthropy plays a significant role in the health, welfare, educational, cultural, recreational, religious, and human-need areas of every city studied. Virtually the entire population of each city is in some way affected by those institutions.

Respondents in each of the four cities studied generally agree that if present tax incentives governing charitable contributions are diminished to any substantial degree, community agencies and services will suffer greatly. The degree of harm done to various organizations would depend on the kinds of changes in the tax structure. For example:

> Hospitals, colleges, universities, museums and other cultural institutions depend greatly on bequests and legacies. If the tax incentives for this kind of giving were reduced substantially or eliminated, these institutions' ability to survive and function would be jeopardized.
>
> Museums depend heavily upon gifts of art from benefactors. If the present tax incentives governing such gifts were eliminated, most art museums would atrophy (and it is likely that some museums would not have been possible).
>
> Endowments are vital to the present operations of most colleges, universities, medical schools, hospitals, and cultural institutions. Income from such funds provides for a host of services, as well as a source to defray deficits. The bulk of endowment funds comes from bequests and legacies. Any serious change in tax laws making such gifts less attractive to the donor would result in serious economic–and therefore service–dislocation to the recipient organizations.
>
> Many organizations report that a significant percentage of large gifts from individuals is in the form of appreciated securities. Here, too, major contributors have told us that their philanthropic activities would be more modest if the tax incentives for such gifts were reduced or eliminated. And the recipient agencies report they would suffer greatly–although in the cities studied we found varying impact of such gifts.
>
> Although the examples above relate to tax incentives for essentially wealthy individuals who make large gifts, the evidence also showed that a substantial percentage of *all* charitable gifts are received in the month of December, indicating that for all givers the tax incentive plays a role in their giving. This, too, was borne out in interviews in each of the cities.

The significance of private philanthropy and the need for it has not diminished, even in those sectors where public funds have become available. In fact, the infusion of public funds has generally increased the visibility of agencies receiving such funds, resulting in greater demand for their services. These agencies' financial needs have therefore not lessened. Private sector giving is more sensitive, aware and responsive to community needs. In some instances it precedes by decades the public commitment.

Tax incentives play a vital role in individual giving, and less of a role in corporate philanthropy. Tax incentives are and have been a major factor in the creation of philanthropic foundations. These three sources–individuals, foundations, corporations–provide virtually all philanthropic funds.

In no city did we find evidence of "sacrifical" giving – no one appears to "give until it hurts." (The sole exception was Jewish philanthropy during the October 1973 war, when large sums were raised very quickly, without any apparent dimunition of regular philanthropic contributions. In Des Moines, for example, $1,000,000 was raised in 20 minutes of telephoning from 700 families.) Generally, we found that incentives are important to all levels of givers, although wealthy individuals receive the largest tax benefits from their philanthropy.

Each city studied has a *minimum* of 5,000 people serving on their nonprofit agency boards, and many times that number serving in a variety of volunteer positions. They tend to be among the community's leaders and they have great conviction about the work they do.

There appears to be a high degree of whim, prejudice, and susceptibility to business and social pressures in much of the major philanthropic giving. Defined criteria for giving are an exception, not a rule. Most agencies, therefore, are forced to be responsive to whatever allocation processes are established by the primary funding sources in their field.

Of the cities studied: Atlanta has 400 nonprofit organizations–one for every 2,500 persons; Cleveland has 550–one for every 4,000; Des Moines has 252–one for every 1,130 persons; Hartford has 423–one for every 1,800 inhabitants. (New York, by contrast, has 1,300 health and welfare agencies alone–one for every 6,800 people.)

Some of the differences and similarities that we found in philanthropic giving patterns in the various cities are as follows:

- The proportion of income derived from major sources appears to be substantially different. For example, the Atlanta study shows 69 percent of agency income coming from public sources and users' fees and 31 percent from private sources, while in Hartford 40 percent of income is derived from private sources, 18 percent from public, and 42 percent from users' fees, and in Cleveland, 36 percent from private, 46 percent from public, and 18 percent from users' fees. This might be an erroneous interpretation because it may be based on a sampling of too few agencies, but those are the percentages which have emerged.

- The foundation role in philanthropy in the cities studied was mixed. We found the Woodruff Foundation in Atlanta and the Cleveland Foundation in Cleveland on the cutting edge of social programs. (Their participation in a project appeared to give the project greater legitimacy, and thereby encouraged the involvement of other funding sources.) We did not find such foundation leadership in Des Moines. In Hartford, we found that corporate philanthropy played the major role in providing leadership and responsibility. It appeared to have a greater impact in that city than corporate philanthropy did in each of the other cities studied.

- Each city studied showed a substantial increase in the amount of dollars raised in all categories between 1969 and 1973, but in no city did we find the amount keeping ahead of the inflation during that same period. In other words, while dollar income rose, the agencies generally did not have sufficient funds to increase services to meet expanding needs.

- While it is not likely that any community can ever meet all of its human needs, each city reported an impressive number of needs which neither the public nor private sector, individually or collectively, were meeting adequately. Among these were inadequate public transportation, inadequate low and lower middle income housing, inadequate mental health, mental retardation, and day care services. Effective programs for dealing with drug abuse, alcoholism, special services for the aging, and women's counseling were also areas of emerging need which had not yet been fully met.

Summarized below are responses of individuals and organizations to specific questions asked in each of the city surveys.

Impact of Public Funds on Private Programs

With regard to the effect of the introduction of government funds into programs formerly financed essentially by private philanthropy, a majority of the organizations concerned said their programs were affected by an increase in client use of services, an increase in accountability, and an increase in the base from which clients are drawn. Many of these agencies noted an increase in government control of the program, but also pointed to greater security in agency funding. Others, however, reported that public funding is erratic, undependable, and subject to last minute changes in appropriations.

Cultural institutions reported a considerable increase in funds through allocations of the National Endowment for the Arts. These increases, however, were largely offset by inflationary pressures. Some art museums were concerned about any possible reduction or elimination in the tax incentives for gifts of works of art.

Apparently, the infusion of public money has not resulted in any appreciable increase or decrease in the amounts of money received from private sources, although many organizations say they have had a slight increase in both large and small contributors, possibly because of the greater visibility given their program as a result of public intervention.

Incentives for Philanthropic Giving

There appears to be no question about the need for tax incentives for charitable contributions. The one exception to this view was that of some corporate social responsiblity officers who said that business, public relations, and the need for professional manpower were sometimes equal—or even more important—considerations. Our interviews with major donors in each of the cities showed that about 3 out of 4 would decrease their gifts if incentives were reduced. About 1 out of 10 said this would not result in any substantial change in their giving practices. In Hartford, our sampling indicates that close to 40 percent of the total income of the agencies reported is affected by tax laws. Inasmuch as our sampling included hospitals which have high third-party and user fee payments, this figure is quite significant. Our Hartford findings indicate that philanthropic sources accounted for the following percentages of funds: individual gifts, including fund-raising events, 19 percent; bequests and investment income, 5 percent each; foundations and corporations, 3 percent each. Public sources accounted for 18 percent of the income of the reporting agencies, while user fees, which includes third-party payments to hospitals (a major item), was 42 percent. In Cleveland, the percentages were approximately the same. Atlanta, as noted previously, receives a lower percentage of its funds from the private sector. (The Des Moines sampling did not provide comparable figures.)

The Role of Volunteers

We identified three major functions of volunteers: program delivery, policy making and fund raising. The questions we asked related to what would happen to this pool of volunteers, which is substantial in each of the cities studied, if the public sector took responsibility for all funding, thereby eliminating the need for fund-raising volunteers.

The consensus was that most program-delivery and policy-making volunteers would no longer contribute their time because it is the contribution of money that results in the concern and awareness leading to volunteer participation. A common response was that people become aware of the organization because they are either approached for money or raise money themselves, and through this channel begin to contribute other services.

The Role of Philanthropic Money

There was general agreement in each of the cities that only the private sector is sensitive to and reasonably responsive to the need for providing new and innovative services, and that this response is felt and acted upon long before it is acceptable to and acted upon by the public sector. For example, we found substantial evidence that the growth of human services and demands for them goes far beyond the traditional areas of health, education, welfare, culture, and religion. In each of the four communities studied—albeit to different degrees—we have found that new social agencies have been established, essentially with modest philanthropic support, to serve new areas of need which either had not been recognized or clearly identified several years ago (for example, women's counseling, hot lines, sex therapy, family planning, encounter groups, halfway houses, special services for the aging, abortion counseling, alternative education counseling, community schools). Virtually all of these organizations were started because of the conviction of one or more private citizens that such services were needed; their initial funds, almost without exception, came from the private philanthropic sector.

In the interviews we conducted, it was generally conceded that although tax incentives played a relatively minor role in the formation of these organizations, the fact that contributions to them can be deducted from personal income tax does play a role in keeping the organizations alive and in providing services that are not normally provided by the longer-established nonprofit organizations.

Government Expansion into Areas of Human Need as a Result of Private Agency Activity

A significant number of persons interviewed believed that it was the initiative of private agencies that stimulated federal intervention into areas such as mental health, child and family services, day care, environment and conservation, and, in a major way, research into a wide variety of categorical diseases through the various Institutes of Health and in support of hospital building programs through Hill Burton funds and other federally funded, medical-oriented programs.

For example, virtually all of the National Institutes of Health had their origin in the work done initially by national and local voluntary, nonprofit, categorical disease agencies, almost all of which did an especially good job of building public awareness so that the Congress was moved to act to create a National Institute to help support research and other activities.

Accountability and Priority Setting

Corporate and business leaders we interviewed told us they do not apply the same standards of performance or effectiveness in their philanthropic activities, either as board members or as contributors, as they do to their business activities. Most said they didn't want to become "too involved." Many said they didn't have the time.

We found, therefore, that the measurable standards of accountability that determine the ability of a for-profit business to function, do not apply, in large measure, to the not-for-profit agencies. While national organizations such as United Way, National Health Council, Child Welfare League of America, and Family Service Association of America do set minimum standards for professional performance and financial accountability, there are still vast areas governing efficiency, effectiveness, availability, accessability, acceptability, and accountability of services that can be strengthened. We have found evidence that the infusion of public funds into heretofore privately funded agencies has resulted in a greater degree of accountability; but, in the vast majority of cases, services are provided at the convenience of the agency rather than the user.

In each city studied, we found major weaknesses in the existing mechanisms for developing a priority-setting process which would have major impact on the decision-making process of the United Way and other public and private funders of human service agencies. Priorities appear to be set on a fragmented, subjective, insular fashion among the various funding sources. Such rationality and desire for greater accountability may indeed be an "impossible dream," or the price one pays for pluralism and voluntarism, but with employment and costs in the human service sector increasing at a rate far greater than in any other sector of the economy, it is a question we believe deserves study.

We found, too, that personal interest and agency loyalties are not transferrable. A volunteer for the Cancer Society does not work for Heart, Lung, Muscular Dystrophy, or the other categorical disease agencies raising funds. A person primarily interested in the local philharmonic or opera is generally not interested in supporting the science or art museum. In many instances, each will contribute to the other's charity—"you rub my back and I'll rub yours." The proliferation of nonprofit, tax-exempt organizations continues in each of the cities studied.

PRIVATE PHILANTHROPY IN METROPOLITAN ATLANTA

The Institute for Social Research, Inc.†

I

PRIVATE NONPROFIT AGENCIES IN ATLANTA

A major portion of private philanthropy supports private nonprofit institutions. This chapter is concerned with how nonprofit agencies in each field of service are funded, the impact of private dollars on their ability to serve the community, and how they relate to the total needs in each field.

In order to assess these facts, financial data for 1969 and 1973 were gathered from 53 different agencies and institutions. Personal interviews were conducted with the administrators of 50 institutions. In determining the needs and trends in private and public service areas, a series of task forces was assembled from experts in each of eight different fields.

While the impact of philanthropy on public institutions was not specifically analyzed, it is important to remember that a significant portion of private philanthropy benefits public agencies. Many hospitals and universities under public auspices depend heavily on private dollars for capital expansion. Public universities also use private money to supplement faculty salaries and for scholarships. To cite another example, in 1973 alone, over six million private dollars purchased and developed parks for the City of Atlanta.

Since the final sample of private institutions drew more heavily from some fields than others and since there is considerable difference among the fields in source of income, it is not appropriate to combine financial data for all agencies. Analysis of the sample by field of service does provide a representative view of private agencies in Atlanta. Seven different fields are analyzed: higher education, primary and secondary education, recreation and youth services, hospitals, other health services, social services, and cultural services. An overview of the results is presented below. Details for each field of service are described in the following pages.

Private dollars given directly to institutions from foundations, corporations and individuals represent a small percentage of operating budgets in most fields. The major exception is culture and humanities; this field received 29 percent of its income from these sources in both years surveyed. Both general health services and higher education obtained about 10 percent of their budgets directly from foundations, corporations, and individuals in each of the two years.

Indirectly, private philanthropy serves private agencies through federated funds, such as United Way and Arts Atlanta, and as the major contributor to endowments. Federated funds are most significant in recreation (46 percent of the budgets of the organizations in this field), social services (33 percent of budgets), and general health services (the latter receiving 30 percent of its income in 1969 from federated funds and 23 percent in 1973). An average of 17 percent of the cultural institutions' budgets came from federated funds. Endowments are of significance only in higher education and cultural services: each of these fields derives about 10 percent of income from this source.

Tax revenue is an important income source to private agencies in some fields. It represents about two fifths of the income for both higher education and social services. It has become increasingly important for health services—25 percent in 1969 to 46 percent in 1973. Cultural institutions also increased their reliance on public dollars, which represented 15 percent of their income in 1969 and 20 percent in 1973.

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†Atlanta, Georgia.

Two fields—primary and secondary education and hospitals—derive about 90 percent of their income from fees. In the case of hospitals this includes third-party payments.

In the interviews with administrators, it was generally agreed that private philanthropy plays a significant role in providing seed money for innovative approaches, flexible funding, and dollars that are more immediately responsive to changing needs. Nineteen of the administrators described specific facilities construction during the period studied. All nineteen reported either total reliance on private philanthropy or the use of private dollars for necessary matching grants.

Private Colleges and Universities

During the four years, colleges and universities have been most concerned with expanding their physical facilities and improving the quality of instruction. Some have developed new programs, but others have had a hard time maintaining their program in the face of inflation.

For these institutions the physical growth necessary to meet enrollment would not have been possible without private dollars. In addition, private philanthropy has often totally funded initial developments in new or expanded fields, and only after this have significant government funds become available.

Table 1 shows operating funds and does not reflect the tremendous impact of capital expansion grants in this field. Endowment funds also rely heavily on the private sector. If this source of revenue is added to the other private dollars then roughly one fifth of the private institutions' operating funds comes from private philanthropy.

Table 1

Source of Income for Private Nonprofit Colleges and Universities
in Metropolitan Atlanta, 1969 and 1973
(Sample = 3 institutions)

Source of Income	Percent of Total	
	1969	1973
Foundations	9%	8%
Corporations	-	1
Individuals	3	2
Endowments and interest	10	10
Fees	30	32
Tax revenue	39	35
Other	8	13
Total	100%	100%
Total dollars	$30,947,067	$54,275,234

Figures do not add because of rounding.

The administrators of these institutions describe private dollars as more flexible and responsive, as the key support of many research programs, as the supplement to salaries necessary for attracting top-quality faculty, and as an important source of scholarships. Generally they see this as the appropriate role for private philanthropy in the future.

The four higher education institutions interviewed reported a total of 550 active volunteers. About half of these concentrate on fund raising and the rest serve on boards and committees.

Private Primary/Secondary Schools

Private schools receive no public funds and are therefore totally dependent on tuition and private philanthropy. (See Table 2.) Endowments have increased as a source of revenue in the four-year period 1969-1973, developed through corporation and foundation grants. Otherwise, operating funds are supplemented primarily through individual contributions.

Both corporations and foundations do play a significant role in capital improvement. In 1969 and 1973, these two philanthropic sources together granted between $500,000 and $1,000,000 for capital improvements in private schools. The bulk of this money was from foundations.

Private schools make considerable use of volunteers. In the four schools interviewed, a total of 460 volunteers were identified. Only a third of them work on fund raising, and many of these also volunteer in other activities.

Table 2

Source of Income for Private Nonprofit Primary/Secondary Schools in Metropolitan Atlanta, 1969 and 1973
(Sample = 2 institutions)

Source of Income	Percent of Total	
	1969	1973
Foundations	-	-
Corporations	-	-
Individuals	2%	4%
Federated funds	-	-
Endowments and interest	-	3
Fees	92	90
Tax revenue	-	-
Other	6	4
Total	100%	100%
Total dollars	$562,735	$1,499,505

Figures do not add because of rounding.

Private Recreation Agencies

A group of Atlanta people who are knowledgeable about recreation was brought together for the purpose of identifying the changes that had occurred in the field during the last four years and needs for the future. This group felt that the community had become more involved and concerned about recreation. Facilities had been used by a wider variety of age groups; there was an expansion of service to the poor; adult education had continued to be popular; less emphasis was being placed on competition and more emphasis on physical activities that carry over to adulthood; there had been a noticeable trend toward cooperation among agencies.

This group believed that in the future the high priority needs were park acquisition, better use of available space, more local funds to match state and federal funds, and a need for private agencies to define their responsibilities. They felt that private money would be best used for capital expansion. It should be noted that foundations in particular recognized a need to expand recreation facilities. Compared with $500,000 in capital expansion grants in 1969, over $6 million was granted for this purpose in 1973.

The administrators interviewed pointed out that a major share of funds for private recreation comes from the United Way (federated fund), which is reflected in Table 3. Only a small amount of operating funds (less than 1 percent) comes directly from foundations and corporations. Fees and the "other" category, which is primarily miscellaneous fund-raising efforts, made up the rest of the agencies' budget.

Table 3

Source of Income for Private Nonprofit Recreation Agencies
in Metropolitan Atlanta, 1969 and 1973
(Sample = 12 agencies)

Source of Income	Percent of Total	
	1969	1973
Foundations	-	-
Corporations	-	-
Individuals	5%	10%
Federated funds[a]	45	46
Endowments and interest	-	-
Fees	22	18
Tax revenue	7	1
Other	21	25
Total	100%	100%
Total dollars	$4,060,186	$5,666,736

a. If federated funds were spread as to source, the following adjustments would be estimated:

	1969	1973
Foundations	1%	-
Corporations	14	13%
Individuals	36	43
Federated funds	(spread to above sources)	

Figures do not add because of rounding.

Three of the five private agencies interviewed mentioned expansion of services to low-income areas as a major focus of recent years, a move encouraged by the private funding sources these agencies rely on. Four agencies also mentioned developing innovative programs to meet new needs and reported considerable efforts to involve more citizens in their program.

Most of the agencies had little experience with public funds. However, several administrators mentioned that the differences in accounting requirements caused problems.

Volunteers are the mainstay of private recreation. The five agencies interviewed use a total of over 15,000 volunteers. Most of these volunteers participate in program activities.

Hospitals

Corporations granted $500,000 for capital expansion of hospitals in 1969. In 1973 they granted $250,000. Foundations granted $750,000 in 1969 and over $16 million in 1973. That fairly well sums up the primary impact of private philanthropy on hospitals.

Five hospital administrators were interviewed, and the general consensus was that development of facilities and equipment would be seriously handicapped without private dollars. As Table 4 indicates, the vast majority of operating funds comes from fees. These are supplemented with a small amount of foundation dollars, individual contributions, and endowment funds. Unlike other fields, most hospital administrators did not differentiate the uses of private dollars from other sources of funds—private money is lumped with other program funds. Like administrators in other fields, however, they generally found that federal funds required considerably more bookkeeping expense. Most hospital administrators felt that future use of private dollars should be the same as it has been in the past.

Table 4

Source of Income for Hospitals in Metropolitan Atlanta, 1969 and 1973
(Sample = 4 hospitals)

Source of Income	Percent of Total	
	1969	1973
Foundations	1%	4%
Corporations	-	-
Individuals	2	3
Endowments and interest	2	4
Fees	92	87
Tax revenue	1	-
Other	1	4
Total	100%	100%
Total dollars	$21,026,372	$32,047,226

Figures do not add because of rounding.

The hospitals interviewed use between 3,000 and 4,000 volunteers, the majority of which are used in program activities.

Other Health Services

As with the recreation field, persons with knowledge about various fields of health were brought together to identify recent changes and future needs. Three different groups were assembled in health—general health services, mental health, and problems of addiction. Certain themes were common to all three areas: the development of training programs, increased specialization and more varied approaches, increased use of allied health services, the expansion of prevention and outpatient services, and better comprehensive planning and coordination were listed as significant recent changes. Generally, the continuation of these trends plus improved geographic and age distribution of health care were cited as needs in the future.

The private institutions are strongly in tune with the field as a whole. Virtually every one of the ten administrators interviewed mentioned one or more of the above changes in the field as specific new directions in their agencies. When asked which sources of funds stimulated or made these changes possible, four said public funding, three said private funding, and three indicated both. One of the last three cited a specific instance of initial demonstration money coming from private philanthropy which was then followed by public dollars.

About half of the administrators felt negative about the administrative aspects of public dollars; the rest saw no difference between public and private. The most commonly cited complaint was that federal money lacks sufficient flexibility to tailor programs to local needs.

As Table 5 indicates, problems with public dollars has not kept the agencies from using them. The most significant change from 1969 to 1973 was a sizable increase in use of tax revenue. Fees and federated funds are the other major sources of income.

Table 5

Source of Income for Health Agencies (Excluding Hospitals)
in Metropolitan Atlanta, 1969 and 1973
(Sample = 10 agencies)

Source of Income	Percent of Total	
	1969	1973
Foundations	1%	5%
Corporations	4	2
Individuals	7	4
Federated funds[a]	30	23
Endowments and interest	-	-
Fees	26	19
Tax revenue	25	46
Other	6	1
Total	100%	100%
Total dollars	$2,028,101	$4,008,062

a. If federated funds were spread as to source, the following adjustments would be estimated:

	1969	1973
Foundations	2%	5%
Corporations	13	9
Individuals	28	20
Federated funds	(spread to above sources)	

Figures do not add because of rounding.

The ten agencies use over 2,000 volunteers, and these volunteers concentrate their efforts in program activities.

Social Services

Social services cover a wide range of activities—employment, child welfare, crime and delinquency, and family services. Probably the most significant changes in this field were caused by the rapid growth made possible through Title IV A of the Social Security Act and then equally rapid cutbacks when these funds were drastically reduced. (This happened between 1969 and 1973 and thus is not reflected in Table 6.) Social services generally are struggling to develop innovative and more effective approaches and to expand seriously limited services.

Table 6

Source of Income for Social Services in Metropolitan Atlanta, 1969 and 1973
(Sample = 15 agencies)

Source of Income	Percent of Total	
	1969	1973
Foundations	2%	4%
Corporations	-	1
Individuals	5	4
Federated funds[a]	33	34
Endowments and interest	-	-
Fees	16	10
Tax revenue	39	42
Other	5	6
Total	100%	100%
Total dollars	$4,373,255	$6,110,863

a. If federated funds were spread as to source, the following adjustments would be estimated:

	1969	1973
Foundations	3%	4%
Corporations	10	11
Individuals	28	28
Federated funds	(spread to above sources)	

Figures do not add because of rounding.

In this setting, private agencies are looking for flexible funding and more funding. Six of the eleven administrators interviewed complained of the lack of flexibility and administrative difficulties with federal funds. They looked to private philanthropy to meet the needs for innovation. The other administrators saw no difference between the two sources of funds.

About three fourths of the private social service agency budgets come from federated funds and public money. Public money represents a slightly larger proportion of this amount. Fees provided a slightly smaller percentage of funds in 1973 than in 1969 and public dollars a slightly larger percentage.

The eleven agencies use about 1,700 volunteers, with about one third serving on boards and committees and two thirds in program activities.

Cultural Institutions

There is some friction among the different cultural institutions in Atlanta, mostly due to the creation of a federated fund, the Arts Alliance. This fund has been successful in attracting private giving, especially corporation giving. It has meant that less private funds are available to those institutions not supported by the Arts Alliance.

Most of the institutions do agree that private philanthropy is not adequate to meet needs and are stressing efforts to obtain more government funds. This field currently has a greater diversification of funding sources than any other. Less than one fourth of the dollars come from any single source. The growth of endowments has not kept up with budget expansion. Foundations and public dollars consequently provide a larger portion of funds.

The five institutions interviewed reported a total of 1,800 volunteers. About one third of these are involved primarily in fund raising.

Table 7

Source of Income for Cultural Institutions in Metropolitan Atlanta, 1969 and 1973

(Sample = 4 institutions)

Source of Income	Percent of Total	
	1969	1973
Foundations	10%	14%
Corporations	2	-
Individuals	17	15
Federated funds[a]	16	16
Endowments and interest	11	6
Fees	26	23
Tax revenue	15	20
Other	3	4
Total	100%	100%
Total dollars	$751,712	$1,568,277

a. If federated funds were spread as to source, the following adjustments would be estimated:

	1969	1973
Foundations	14%	18%
Corporations	13	10
Individuals	20	17
Federated funds	(spread to above sources)	

Figures do not add because of rounding.

II

GRANTING PRACTICES OF FOUNDATIONS IN ATLANTA

Construction and Program

In 1973 foundations in the Atlanta area granted $40,846,000 of which $32,011,000 went to capital expansion or endowments and $8,835,000 to program operation. Local foundations granted over $36 million of this money. These same local foundations also granted $5,248,000 to recipients outside of the Atlanta area.

Four years earlier, in 1969, foundations granted a substantially lower $11,686,000: $7,007,000 for capital expansion or endowments and $4,679,000 for program operation. Thus, while there was a 89 percent increase in foundation funds for programs from 1969 to 1973, the grants to capital expansion projects and endowments increased 357 percent. A large portion of this capital expansion increase came from one foundation—nearly $22 million for the development of city parks and a new medical facility. If the grants of this foundation are excluded from both 1969 and 1973 totals, the capital expansion and endowment grants are still shown to have increased about 200 percent.

The increase in available foundation funds for construction is clearly far outstripping that for program. Program operation received 40 percent of the available foundation dollars in 1969. By 1973 programs received only 22 percent.

(All figures are estimates based on a sample of 48 out of 67 local foundations that account for $35,832,000 of the $36,338,000, or 99 percent, of all local foundation grants in the Atlanta area. Grants from foundations outside the Atlanta area are taken from the listings of the Foundation Center, which would include most major grants.)

Capital Expansion Fund Recipients

In 1969 colleges and universities received 35 percent of the capital expansion and endowment dollars, nearly $2.5 million in foundation grants. Other fields received less than a million each. This ranged from 14 percent for social services to 7 percent for culture and humanities and other health. (See Table 8.)

Several very large grants from one foundation cloud the picture for 1973. With those grants included, the most noticeable change is that hospitals received 51 percent of the capital expansion dollars and recreation (including both youth agencies and parks) received 20 percent. When the grants of this one foundation are excluded from the 1969 and 1973 figures, the hospital grants and most other fields are in about the same proportion in both years. However, recreation still received nearly $3 million in capital expansion grants, or 29 percent of all foundation dollars for this purpose. This is more than double the proportion of foundation money received in 1969.

Program Grant Recipients

Social services were in a favored position for program grants in 1969. They received $1.25 million, or 27 percent of all program grants. By 1973 higher education was the leading recipient, moving from 18 percent of the total in 1969 to 30 percent in 1973. This meant over $2.5 million in 1973 scholarships and faculty salaries. (See Table 8.)

While social services did receive 17 percent more dollars, this hardly kept up with inflation between 1969 and 1973. During the same time, grants to health services increased threefold, and each of the two fields received 16 percent of the 1973 program grants, roughtly $1.5 million a piece. Grants in the field of religion also

Table 8

Comparison of Foundation Grants for Capital Expenses and Program, 1969 and 1973

	Capital Expansion		Program Operation	
	1969	1973	1969	1973
Higher education	35%	15%	18%	30%
Primary/secondary education	8	2	13	0
Recreation	8	20	1	6
Hospitals	11	51	0	0
Other health	7	2	10	16
Social service	14	3	27	16
Cultural	7	5	10	10
Religion	10	1	6	12
Civic	0	0	3	0
United Way	0	0	8	6
Other	0	1	4	4
Total	100%	100%	100%	100%

exceeded a million dollars in 1973. This was three and one-half times the $295,000 received in 1969.

Generally, hospitals and primary and secondary schools do not receive program grants. In 1969, about $500,000 did go to primary and secondary schools for undesignated or general purposes. It is suspected, based on interviews with a sample of these schools, that much of this money may have been used for capital expansion or endowments.

In addition to those fields receiving grants for capital expansion, several other fields receive program grants—a total of $669,000 in 1969 and $882,000 in 1973. These include community development or civic services, United Way, science, and international causes. The latter two are included in the "other" category.

The United Way raises an important point regarding foundation giving. On the average, foundations seem to prefer making their own choices rather than giving to a federated fund. As will be seen later, this is quite the opposite from corporate giving. In 1969 foundations granted $382,000 to the United Way; in 1973 the grants total was $486,000. (See Table 9.) This is only a 27 percent increase, considerably smaller than other giving to the United Way. (The increase would be considerably less if corporation foundations were excluded.) Thus, United Way went from 8 percent to 6 percent of the total program grants. The Arts Alliance, a federated fund in the cultural field, fared similarly. In 1969 the Arts Alliance received 72 percent of all money granted to culture and humanities. In 1973 it received only 48 percent.

Foundation Philosophy and Direction

A small sample of foundations were interviewed to determine the basis on which they gave grants, what plans they had for the future, and the effect on them of the 1969 Tax Reform Act. The substance of the interviews can be summarized briefly.

Table 9

Summary of All Foundation Grants by Field, 1969 and 1973

	1969		1973	
Higher education	$ 3,311,000	28%	$ 7,426,000	18%
Primary/secondary education	1,215,000	10	832,000	2
Recreation	623,000	5	6,821,000	17
Hospitals	749,000	7	16,415,000	40
Other health	930,000	9	2,087,000	5
Social services	2,233,000	19	2,334,000	6
Cultural	979,000	8	2,440,000	6
Religion	969,000	8	1,364,000	3
Civic	120,000	1	10,000	0
United Way	382,000	3	406,000	1
Other	167,000	2	823,000	2
Total grants	$11,606,000	100%	$40,846,000	100%

The foundation spokesmen saw no changes in their approach to making grants during the four years from 1969 to 1973, nor did they anticipate any changes in the future. Several mentioned special interests, usually conditioned by the terms of the foundation's founder. Education was mentioned most often as a field of interest; health came second. Combining the categories of hospitals and other health and discounting the unusually large gifts of one foundation, this emphasis matches the actual distribution of all grants in both years. A number of foundations emphasized grants for capital expansion, which certainly matches the trends of actual giving.

Only one foundation—a corporation foundation—uses any other form of priority system or formal attempt to assess needs. While many describe their goals as aiding the general welfare of the community, the almost unanimous approach for doing this is reviewing the individual merits of applications coming to them. Some mentioned that they were less inclined to fund programs in fields well supported by government funds. But without any systematic assessment of community need, it would be difficult for foundations to actually follow through on this. In fact the two fields—education and health—that have received the highest priority for foundation funds have also received the greatest increases in public dollars.

Foundation representatives reported only minor effects of the 1969 Tax Reform Act. Most corporations with established foundations considered dropping them after the act was passed, but none did. Any further restrictions would likely cause them to do so, however. Several foundations reported increased legal and administrative costs and a need to modify their investment portfolio. Some said they now screen applicants more closely. Nevertheless most foundations seemed to have been little affected by the act.

Granting Practices of Foundations

A small number of local foundations increasingly make the major foundation impact in the Atlanta area. In 1973, 19 foundations each made grants totaling more than $100,000. These 19 foundations, 28 percent of all local foundations, gave 96

Table 10

Foundations Grouped by Giving Patterns

Give Primarily to Fund Drives:

	Grant Operating Funds		Mix of Operating, Capital, and Endowment Grants	
	Same Recipients	Roughly Half Same Recipients	Roughly Half Same Recipients	Recipients Vary
Number of foundations	5	3	3	3
Total Atlanta grants	$407,000	$144,000	$95,000	$905,000
Range of typical grants	$2,100-16,000	$500-1,000	$1,300-2,300	$1,000-5,100

Give Primarily to Special Projects:

	Grant Operating Funds		Mix of Operating, Capital, and Endowment Grants
	Roughly Half Same Recipients	Recipients Vary	Recipients Vary
Number of foundations	3	3	6
Total Atlanta grants	$29,000	$152,000	$51,700,000
Range of typical grants	$200-4,000	$1,400-7,700	$10,000-88,000

Give to a Mix of Fund Drives and Special Projects:

	Grant Operating Funds			Mix of Operating, Capital, and Endowment Grants
	Same Recipients	Roughly Half Same Recipients	Recipients Vary	Roughly Half Same Recipients
Number of foundations	2	5	8	6
Total Atlanta grants	$831,000	$401,000	$639,000	$777,000
Range of typical grants	$1,000-1,500	$400-4,000	$200-7,700	$1,000-3,300

Give Primarily Scholarships:

Number of foundations	4
Total Atlanta grants	$879,000
Range of typical grants	$400 - 10,400

percent of all dollars granted by local foundations. In 1969 the same 19 gave 81 percent of local foundation dollars.

Both big and small foundations, however, have generally followed the trend of giving more grants—64 percent made more grants in 1973—and larger grants. In 1969, nearly 50 percent of the foundations sampled gave maximum grants of less than $20,000. For 22 percent the maximum grant was either $50,000 or $60,000. Grants over $100,000 were given by 9 percent. By 1973, 24 percent of the foundations gave $100,000 grants, and only 38 percent gave maximum grants under $20,000.

The typical grant of over half the foundations was also larger in 1973 and only 22 percent tended to give smaller grants. The number of foundations which typically gave grants under $1,000 decreased from 25 percent in 1969 to 18 percent in 1973. Concomitantly, the number of foundations whose typical grant was over $5,000 increased from 20 percent to 33 percent.

There are considerable differences among foundations in the type of grant made and the nature of their recipients. Of the 48 foundations sampled, 4 give primarily scholarships and 10 give almost exclusively to fund drives such as a youth agency building fund or a specific disease campaign. Tw[illegible] foundations concentrated their giving on special purpose or project grants and [illegible] to a mix of fund drives and special projects. The vast bulk of foundation dollars are granted by those giving to special projects. One foundation divides its grant money almost equally between scholarships and fund drives. (See Table 10.)

While most foundations make grants in a variety of fields, eight limit their grants to special fields or causes, of which education and religion are the most common. In addition to those concentrating on scholarships, over half of the foundations give grants primarily for program operation. These, however, account for only 6 percent of the foundation dollars. The remaining foundations make grants for a mix of capital expansion, endowment, and program purposes.

Six foundations give to the same recipients each year. Fifteen give to a mix of roughly half the same recipients and half different recipients. Over 50 percent of the foundations tend to give to different recipients each year.

III

GRANTING PRACTICES OF CORPORATIONS IN ATLANTA

Construction and Program

It is estimated that corporations in the Atlanta area granted about $9,000,000 to agencies in the five-county area in 1973. Of this, roughly 21 percent was granted for capital expansion and 79 percent for program operation. In 1969, Atlanta corporations granted an estimated $7,000,000 of which about 27 percent was used for capital expansion. (See Table 11.) (The data from corporations are very limited compared with those for foundations. Thus, the estimates are presented in gross figures and should be used with caution. They are based on a sample of 11 corporations augmented with data from several fund campaigns and interviews with major recipients of funds.)

Thus, the trend over the four-year period in the types of grants given by corporations is the reverse of that for foundations. Corporations have increased the proportion of giving to program operation while foundations have tended to give a smaller percentage of their grants for program. Note, however, that both foundations and corporations granted more money to program operation in 1973 than in 1969 (see Table 11).

Table 11

Foundation and Corporation Grants in the Atlanta Area:
A Comparison of Operating and Capital Expansion Grants,
1969 and 1973

	Capital Expansion and Endowment		Program Operation	
	1969	1973	1969	1973
Foundations	$7,000,000	$23,000,000	$4,700,000	$8,000,000
Corporations	$1,900,000	1,900,000	$5,100,000	$7,100,000

Capital Expansion Fund Recipients

The amount of corporation money going for capital expansion of community agencies was about the same for 1969 and 1973—$1,900,000. The proportion going to specific fields changed considerably, however.

Table 12 shows that higher education received a much larger share in 1973. While hospitals received less than half as much in 1973, other health services went from no significant corporation grants for capital expansion in 1969 to 6 percent of the total dollars in 1973. Capital expansion grants to social services declined.

Table 12

Percentage of Capital Expansion Funds from Corporations Going to Different Fields, 1969 and 1973

	1969	1973
Higher education	34%	50%
Primary/secondary education	9	8
Recreation	20	18
Hospitals	27	12
Other health	0	6
Social services	10	5
Culture and humanities	0	1
Total	100%	100%

Program Grant Recipients

Corporation grants for program operation increased by about 40 percent from 1969 to 1973. The $5 million in 1969 was granted in roughly the same proportions to different fields as the $7 million in 1973. The size of the sample is too small to consider any differences between years significant.

Table 13

Percentage of Program Operating Funds from Corporations Going to Different Fields, 1969 and 1973

	1969	1973
Higher education	23%	22%
Recreation	2	3
Hospitals	1	-
Other health	3	2
Social services	3	3
Culture and humanities	11	16
Religion	2	2
Civic	17	13
United Way	38	39
Total	100%	100%

The United Way is the dominant recipient of corporation grants for program, receiving nearly two fifths of the dollars. Higher education is next, receiving slightly under one fourth. The other two major recipients are the civic and cultural fields. (See Table 13.)

Granting Practices of Corporations

The sample of corporations was too small to make an analysis similar to that done for foundations. However, the nine corporations interviewed probably reflect the philanthropic views and practices of a large number of corporations in Atlanta. Similar to the foundations, the corporations interviewed saw no significant changes in granting practices since 1969 and anticipated none in the future. One corporation said it had made no new commitments, but one other said it had put more emphasis on emerging organizations. Two of the nine said that they would modify grants as community needs changed. Generally, however, there is no attempt to assess community priorities.

There were a number of comments concerning fields of emphasis and types of organizations supported. The fields mentioned most often were the same as those receiving the most corporation grants—health, education, United Way, and culture. Three of the corporations said they supported established agencies; however, one said it emphasized causes that lack popular appeal. Three corporations said they considered more favorably those agencies that involved the recipients or the community.

There is a small, relatively new informal organization of individuals who have major responsibility in their corporations for recommending what grants to make. The concern of this group is to better assess community need and to coordinate giving so that a more significant impact can be made. Many in this group are concerned and frustrated by not having a good method of determining community needs and want to improve giving practices. Except for those corporations with foundations, it was the unanimous view that the Tax Reform Act had had no impact on corporate giving.

A PHILANTHROPIC PROFILE OF THE CLEVELAND METROPOLITAN AREA

Human Services Design Laboratory[†]

Survey Methodology

The Human Services Design Laboratory began the first phase of the philanthropic profile of metropolitan Cleveland on October 1, 1974. The initial work and a summary report was scheduled for completion in early December. The extremely short time period alloted for the first phase of the Cleveland study posed serious constraints; research activities that normally take months were telescoped into weeks. The HSDL research team had to obtain copies of data collection instruments designed for use in other cities conducting philanthropic profiles and revise them extensively for use in the Cleveland study.

The interview schedule used with the sample of key donors and agency representatives was largely a structured instrument with responses recorded in predetermined categories. This type of instrument is best suited to questions of a very specific nature and limits the expression of opinions by respondents. However, the issues raised by the Filer Commission were stated in broad, general terms, and many of those interviewed felt uncomfortable responding to questions which they felt could not appropriately be answered with "yes" or "no" type answers.

While the HSDL research team would have preferred to use an unstructured, more open-ended interview schedule, time did not permit. The analysis of open-ended questions is far more time consuming and could not have been completed to meet the Commission's deadline. Thus, any interpretation of the results of the donor and recipient interviews should recognize that in most instances respondents' replies were assigned to predetermined categories which often did not allow for the expression of qualifying opinions, many of them highly significant.

A further limitation imposed by time constraints involved the recipient source-of-income analyses (see Chapter I). Of the 200 human service organizations randomly selected from a total universe of 550 to be sent source-of-income questionnaires, only 72 returned the forms for use in the study, and of these only 61 were deemed usable for analysis. The HSDL based its research on the assumption that the organizations that returned financial data were truly representative of the universe of 550, but could not state assuredly that this was a fact. It was emphasized that the findings "should properly be considered tentative," and that further investigation was mandatory to verify the representativeness of the responses and to "allow us to state with increased confidence that our findings do indeed characterize Cleveland philanthropy."

At the time the initial report was completed in December 1974, the results were shared with members of the staff of The Cleveland Foundation who felt an added effort should be made to collect more income data from recipient organizations. Thus, in January 1975, The Cleveland Foundation retained the HSDL to undertake a second phase of the study of Cleveland philanthropy. This was conceptualized as being essentially a follow up to the first study and was undertaken for the express purpose of revising and expanding the section pertaining to recipients' source of income.

[†] School of Applied Social Sciences, Case Western Reserve University. Prepared by H.F. Coyle, Jr., Robert Guhde, Shira Most, Douglas Yates Rowland, Sarah L. Goodale (Editorial Assistant). This study was made possible by a grant from the Cleveland Foundation to the Commission on Private Philanthropy and Public Needs.

A second copy of the questionnaire was mailed to the 128 organizations that had not responded previously. The result was that by April 1975 we were able to increase our sample size by 46 to a total of 107. With an enlarged sample, the HSDL research team was then able to perform a much more detailed analysis of the source-of-income data than had been done in the first study. The examination of funding sources and trends that had been previously performed on the sample of 61 were redone using the sample of 107. In addition, the enlarged sample allowed the HSDL research team to broaden the analysis in three ways: (1) determination of per capita expenditures by each source of income category; (2) derivation of a more accurate comparison of dollars spent in the three years under investigation through the application of the Consumer Price Index to deflate 1971 and 1973 expenditure amounts to 1969 constant dollars; and (3) specification of precision of income data through the calculation of 99 percent confidence intervals.

This report is an update of the original HSDL study of philanthropy in the Cleveland metropolitan area. The demographic data and the information in Chapters II, III, and IV are the same as that presented in the original report. The majority of changes appear in Chapter I, and reflect the analysis of the additional 46 recipient source-of-income questionnaires. Chapter V, summary and conclusions, contains minor changes reflecting the further analysis in Chapter I.

The HSDL is indebted to a great many people in the Cleveland community who participated in this study. Without their enthusiastic support and cooperation, this effort could not have been successfully completed.

I

CLEVELAND PHILANTHROPIC PROFILE: RECIPIENTS' SOURCE OF INCOME

This section covers the results of a financial survey conducted as a component of the Cleveland study. It is an analysis of the budgets of nonprofit organizations (public charities) to determine the various sources of their income and to compare private and public contributions over time. Following the procedure established by the Filer Commission, the HSDL analysis used the years 1969, 1971, and 1973 as reference points.

HSDL was able to identify 550 organizations in the Cleveland SMSA (Cuyahoga, Geauga, Lake, Medina Counties) belonging to a universe characterized as being wholly or partly financed through private philanthropic funds (as opposed to strictly government agencies), nonprofit, and human-service oriented. The Filer Commission had originally specified 14 categories of such organizations; however, HSDL subsequently reduced the listing to 6, to correspond more closely with categories used by local foundations and federations and to facilitate data analysis by minimizing the overlap among categories. This also assured that except for the category of "environment/conservation," there would be a large enough sample for a valid analysis in each category. (No inferences with respect to organizational categories may be drawn about the "environment/conservation" category because only five organizations were identified in that category, of which two were sampled and only one replied. However, in spite of the fact that these numbers were too small to draw conclusions, the one environment/conservation agency was part of our random sample, and hence its data was included in our analysis of total income.)

At the end of this chapter is a listing of human service organizations and activities included in the categories used by the HSDL in analyzing both recipient income and donor allocations. In cases of organizations whose activities were so varied as to fit into one or more of the categories, we chose to place the organization in that category most relevant to the primary focus of the organization.

The aim of the HSDL research team was to obtain at least 100 questionnaires for detailed analysis. To ensure a sample of this size, 200 agencies, selected through a stratified random sampling of the original 14 categories, were mailed questionnaires.

A few weeks later a second copy of the form was sent to those organizations from who we had received no response in the first mailing. We intended to ask those organizations who did not return questionnaires for verbal reporting of gross budget figures over the phone, but because of poor response to our request, we did not pursue this line of data gathering.

The result was that 138 responses were received in the allotted time frame; of these responses, 31 could not be used for analysis, either because the information was incomplete, the agency had ceased to exist, or the agency had been absorbed by a larger organization.

The final sample of 107 agencies was generally representative of the universe of nonprofit agencies identified with regard to organizational size. An important issue is whether certain categories of agencies were more responsive then others. Our statistical test of the response pattern shown below led us to accept the hypothesis that the tendency for an organization to respond was independent of its category. Hence, our sample was representative of the universe of nonprofit agencies identified. (To test the null hypothesis that the different categories of organizations were equally likely to respond to our questionnaire, we used a chi-square analysis (four degrees of freedom) of contingency table frequencies with the environment/conservation category omitted from analysis because the number sampled was less than five. In this case our test statistic took the value 7.24, which corresponds to rejection at a significance level of 87.8 percent. We did not statistically reject a null hypothesis unless we were at least 95 percent certain that we were correct.)

Response Pattern

Organizational Category	Number Sampled	Number Received	Percent of Category Responding
Education	15	8	53.3%
Cultural affairs	14	10	71.4
Health	68	27	39.7
Social services	73	44	60.3
Civic affairs	28	17	60.7
Environment/conservation	2	1	50.0
Total	200	107	53.5
Total less environment/conservation	198	106	53.5

Findings

Questionnaires were analyzed along six major lines of investigation: (1) examination of sources of funding, private and public; (2) determination of the kinds of funding sources from which these dollars came; (3) examination of the emergent trends, if any, related to funding sources; (4) determination of data validity by affixing confidence intervals to source of income data; (5) determination of per capita expenditures by each source of income category; and (6) derivation of a more accurate comparison of dollars spent in the three years under investigation through the application of the Consumer Price Index to deflate 1971 and 1973 expenditure amounts to 1969 figures.

A word here might be in order to explain our use of the Consumer Price Index to correct for inflation. The Consumer Price Index is basically a commodity index,

Table 1

Agency Income from Private Sources, by Category of Organization, 1969-73: Financial Data from Human Service Organizations Cleveland, Ohio, SMSA, April 1975

		Income from Private Sources					
		1969		1971		1973	
Organizational Category	Number of Agencies	Amount in Dollars	%	Amount in Dollars	%	Amount in Dollars	%
Education	8	$11,464,304	19.4%	$13,720,645	17.1%	$14,652,114	17.8%
Cultural	10	1,213,018	2.1	4,014,958	5.0	4,919,955	6.0
Health	32	26,265,802	44.4	34,752,669	43.3	37,884,885	46.1
Social services	44	13,173,157	22.3	14,543,059	18.1	15,434,753	18.8
Civic affairs	12	6,893,954	11.7	13,132,000	16.4	9,188,348	11.2
Conservation/environment	1	8,476	<0.1	25,856	<0.1	115,504	0.1
Total	107	$59,018,711	100.0%	$80,189,277	100.0%	$82,145,559	100.0%

Source: Financial questionnaires returned by sample of Cleveland area human service organizations (N = 107).

yet we are using it to correct for inflation in the budgets of agencies whose budgets are mostly allocated for services. Optimally, we might correct agency budgets for inflation by first categorizing the budget items along the lines of products and salaries and then applying Department of Commerce indices to each type of item. Unfortunately, this method could not be implemented because the time allotted for completing the Cleveland philanthropic profile imposed numerous constraints on the HSDL researchers. Since inflation has been such an important force in economic affairs of the past few years, we felt it would be best to correct for inflation in some basic, albeit imperfect, way. Since the agencies involved in this study spend a considerable portion of their budgets on salaries, the use of the Consumer Price Index recognizes the fact that an agency's ability to recruit staff is a function, possibly a linear function, of the cost of living.

General Breakdown of Income Sources

Table 1 shows the relative consistency with which the private sector has distributed its dollars in each of the categories through time, although some slight changes were manifested in certain categories, particularly between the years of 1969 and 1971. During that time, private funding in the education, social service areas decreased slightly (education decreased from 19.4 percent to 17.1 percent; social services decreased from 22.3 percent to 18.1 percent) and the cultural and civic affairs increased slightly (cultural affairs, from 2.1 percent to 5.0 percent; civic affairs, from 11.7 percent to 16.4 percent). Percentages for 1973 are more or less consistent with those for 1971, with the exception of the civic affairs category which declined closer to the previous 1969 figure. Overall, an examination of the totals for 1969, 1971, and 1973 shows an increase of private dollars in the budgets of nonprofit organizations.

Table 2 shows the total public funds used by sample organizations. As in Table 1, these totals show an increase over time, although the local government share of the contributory dollar dropped rather dramatically by 11.5 percent of total (from 39.8 percent to 28.3 percent) between 1969 and 1973. Both federal and state contributions increased in proportion.

Table 2

Public Sources of Agency Income. 1969-1973
Estimate for the Total Number of Human Service Organizations
in the Cleveland Area
Cleveland, Ohio, SMSA, April 1975

	Income from Public Sources					
	1969		1971		1973	
Source of Income	Amount in Dollars	%	Amount in Dollars	%	Amount in Dollars	%
Federal government	$ 82,054,000	46.3%	$129,122,000	51.8%	$172,097,000	53.1%
State government	24,558,000	13.9	34,922,000	14.0	60,413,000	18.6
Local government	70,518,000	39.8	85,932,000	34.2	91,523,000	28.3
Total	$177,708,000	100.0%	$249,138,000	100.0%	$324,057,000	100.0%

Source: Financial questionnaires returned by sample of Cleveland area human service organizations (N = 107).

Note: Since each dollar figure was derived independently from sample data, the total figure is not necessarily the sum of its constituent amounts.

Table 3 gives a breakdown of sources of private funding and the relative increase and decrease over time. Overall, users represent the single largest source of private dollars for nonprofit organizations, followed by the individual gifts category and sales of goods and products category, which were approximately equal to each other in percentage. It is well to note that from 1969 to 1973 while philanthropic foundation and individual giving together manifested an increase of 3.4 percent of total private income (philanthropic foundation giving increased 2.5 percent – from 3.7 percent in 1969 to 6.2 percent in 1973; individual gift giving increased 0.9 percent – from 10.5 percent to 11.4 percent), during this same period corporate and United Torch gifts together showed an overall decline of 0.7 percent of total (corporate gifts declined 0.4 percent – from 6.7 percent to 6.3 percent; United Torch gifts declined 0.3 percent – from 7.0 percent to 6.7 percent). Hence, the combined contributions of the four categories of private gifts manifested an overall increase of 2.7 percent of total private income.

Table 3

Private Sources of Agency Income, 1969-73:
Estimate for the Total Number of Human Service Organizations
in the Cleveland Area
Cleveland, Ohio, SMSA, April 1975

	Income from Private Sources					
	1969		1971		1973	
Source of Income	Amount in Dollars	%	Amount in Dollars	%	Amount in Dollars	%
Philanthropic foundations	$ 11,464,000	3.7%	$ 17,372,000	4.4%	$ 26,324,000	6.2%
Corporate gifts	20,617,000	6.7	23,829,000	6.1	26,766,000	6.3
Individual gifts	32,339,000	10.5	52,819,000	13.5	48,149,000	11.4
Investment income	25,652,000	8.3	33,727,000	8.6	38,780,000	9.2
User fees	87,162,000	28.2	112,096,000	28.7	126,332,000	29.9
Membership dues	5,139,000	1.7	5,441,000	1.5	5,827,000	1.4
Sales of goods/products	42,296,000	13.7	43,892,000	11.2	45,026,000	10.6
Fund-raising events	836,000	0.3	2,699,000	0.7	3,625,000	0.9
United Torch allocations	21,646,000	7.0	25,024,000	6.4	28,310,000	6.7
Other	61,592,000	19.9	73,866,000	18.9	73,742,000	17.4
Total	$309,422,000	100.0%	$390,750,000	100.0%	$422,747,000	100.0%

Source: Financial questionnaires returned by sample of Cleveland area human service organizations (N = 107).

Note: Since each dollar figure was derived independently from sample data, the total figure is not necessarily the sum of its constituent amounts.

Of further interest is the fact that while United Torch contributions almost doubled those of philanthropic foundations in 1969 (7.0 percent versus 3.7

percent), they had become almost equal in percentage by 1973 (6.7 percent versus 6.2 percent), due to both a decrease in the percentage of United Torch contributions and an increase in percentage of philanthropic foundation contributions.

Table 4 is a breakdown of agency revenues by sources, with users fees as a separate category. This table shows a growing trend away from private support (down 5.9 percent over the five-year period) and toward public support (up 6.9 percent over the five-year period) of the sample organizations. Users fees have remained fairly constant.

Table 4

Comparison of Private, Public, and User Sources of Agency Income, 1969-73: Financial Data from Human Service Organizations Cleveland, Ohio, SMSA, April 1975

	Percentage of Income of All Agencies		
Source of Income	1969	1971	1973
Private	45.6%	43.5%	39.7%
Public	36.5	39.0	43.4
Users Fees	17.9	17.5	16.9
Total	100.0%	100.0%	100.0%

Source: Financial questionnaires returned by sample of Cleveland area human service organizations (N = 107).

Tables 5, 6, and 7 give a summary of the sources of funds in 1969, 1971, and 1973. Table 5 gives estimates of the universe of private nonprofit human service organizations in the Cleveland SMSA in actual unadjusted dollars. Table 6 gives the results of the sample from which we derived Table 5. Table 7 gives 99 percent confidence intervals for estimates of sources of income for the universe in terms of constant 1969 dollars (adjusted by the Consumer Price Index for the Cleveland SMSA).

A significant increase in constant 1969 dollars from government sources is evidenced in Table 7, with 1971 showing an increase of at least 46 million constant 1969 dollars over 1969 and 1973 showing an increase of at least 39 million constant 1969 dollars over 1971. The federal government showed as increase of at least 21 million constant 1969 dollars in both 1971 (over 1969) and 1973 (over 1971). The rest of the increase derived from government sources is due almost entirely to state government as the amounts derived from local government sources changed relatively little.

There were two trends in the changes in private sources of income apparent from Table 7. One group, composed of individual gifts, investment income, fund-raising events, user fees, and our catch-all grouping of other private sources, showed substantial increases in 1971 (over 1969) but no increase in 1973 (over 1971). Individual gifts and "other" private gifts actually showed significant decreases. The second group composed of United Torch, membership dues, corporate gifts and sales of goods/products all remained relatively constant. An exception was gifts from philanthropic foundations which behaved more like state government and increased 1.3 million constant dollars in 1971 (over 1969) and increased 2.8 million constant dollars in 1973 (over 1971). The total income from private sources behaved as the first group mentioned above in that it increased at least 42 million constant dollars in 1971 (over 1969) but showed no significant change (although our sample showed a slight decrease) in 1973 (over 1971). There was a discrepancy in the comparability of these totals because of eight organizations which did not

Table 5

Public and Private Sources of Agency Income, 1969-1973:
Estimate for Total Number of Human Service Organizations in the Cleveland Area
Cleveland, Ohio, SMSA, April 1975

	Income from All Sources					
	1969		1971		1973	
Source of Income	Amounts in Thousands of Dollars	%	Amounts in Thousands of Dollars	%	Amounts in Thousands of Dollars	%
Federal government	$ 82,054	16.9%	$129,122	20.2%	$172,007	23.0%
State government	24,566	5.2	34,922	5.3	60,413	8.1
Local government	70,518	14.4	85,932	13.4	91,583	12.3
Total government	$177,706	36.5%	$249,136	38.9%	$324,057	43.4%
Philanthropic foundations	11,464	2.4	17,372	2.7	26,224	3.5
Corporate gifts	20,617	4.2	23,829	3.7	26,706	3.6
Individual gifts	32,339	6.6	52,819	8.3	48,149	6.5
Investment income	25,652	5.3	33,727	5.3	38,780	5.2
User fees	87,162	17.9	112,096	17.6	126,332	16.9
Membership dues	5,130	1.1	5,441	0.8	5,827	0.8
Sales of goods/products	42,296	8.7	43,892	6.9	45,086	6.0
Fund-raising events	836	0.2	2,699	0.4	3,625	0.5
United Torch allocations	21,646	4.4	25,024	3.9	28,310	3.8
Other	61,582	12.7	73,886	11.5	73,742	9.8
Total private	$309,422	63.5%	$390,750	61.1%	$422,747	56.6%
Total	$487,130	100.0%	$639,888	100.0%	$746,884	100.0%

Source: Financial questionnaires returned by sample of Cleveland area human service organizations (N = 107).

Note: Since each dollar figure was derived independently from sample data, the total figure is not necessarily the sum of its constituent amounts.

exist prior to 1971 and by seven more which did not exist prior to 1973. This leads to the question of whether we are underestimating the universe of private nonprofit institutions for all three years. Indeed, the budgets of the organizations that went out of existence before 1974 were not counted in our survey. We were able to ascertain that the organizations chosen for our sample but no longer in existence in 1974 or no longer based in the Cleveland SMSA in 1974 had combined total annual budgets of less than $750,000 (less than 1 percent of total income of sample for any of the three years). Correcting for this error was deemed unnecessary by the HSDL.

Table 6

Public and Private Sources of Agency Income, 1969-1973: Financial Data from Human Service Organizations Cleveland, Ohio, SMSA, April 1975

	Income from All Sources					
	1969		1971		1973	
Source of Income	Amounts in Dollars	%	Amounts in Dollars	%	Amounts in Dollars	%
Federal government	$15,964,718	16.9%	$ 25,114,707	20.2%	$ 33,474,339	23.0%
State government	4,887,476	5.2	6,631,520	5.3	11,753,909	8.1
Local government	13,716,390	14.4	16,716,096	13.4	17,799,618	12.3
Total government	$34,568,584	36.5%	$ 48,462,323	38.9%	$ 63,020,866	43.4%
Philanthropic foundations	2,230,117	2.4	3,380,962	2.7	5,118,582	3.5
Corporate gifts	4,009,551	4.2	4,640,377	3.7	5,206,671	3.6
Individual gifts	6,292,731	6.6	10,277,246	8.3	9,370,710	6.5
Investment income	4,991,761	5.3	6,554,265	5.3	7,522,532	5.2
User fees	16,954,463	17.9	21,802,453	17.6	24,577,290	16.9
Membership dues	1,000,964	1.1	1,055,944	0.8	1,119,787	0.8
Sales of goods/products	8,230,888	8.7	8,526,434	6.9	8,761,528	6.0
Fund-raising events	161,958	0.2	525,107	0.4	707,787	0.5
United Torch allocations	4,211,335	4.4	4,867,494	3.9	5,504,042	3.8
Other	11,984,943	12.7	14,370,898	11.5	14,346,630	9.8
Total private	$60,068,711	63.5%	$ 76,001,180	61.1%	$ 82,235,559	56.6%
Total	$94,637,295	100.0%	$124,463,503	100.0%	$145,256,425	100.0%

Source: Financial questionnaires returned by sample of Cleveland area human service organizations (N = 107).

Whenever a sample survey is done in order to gain some knowledge of the total universe from which the sample is drawn, there is necessarily some uncertainty as to the accuracy of sample data (for example, percentage of total income from the federal government). Confidence intervals allow us to state the degree of certainty that we attach to our sample data. As an example, we stated in Table 5 the breakdown by percentage of income in the agencies that we sampled. Table 8 gives intervals within which we are 99 percent certain that even if all 550 agencies had been sampled, the corresponding true percentage figures would fall.

Table 9 gives 99 percent confidence intervals for per capita expenditures from all sources, indicating average amount of money spent per person in the Cleveland SMSA from each source in each category.

Table 7

Public and Private Sources of Agency Income, 1969-73: 99% Confidence Intervals for Total Estimated Income for all Human Service Organizations in the Cleveland Area Cleveland, Ohio, SMSA, April 1975

(1971 and 1973 adjusted by Consumer Price Index to 1969 constant dollars)
(Amounts in thousands of dollars)

Source of Income	1969 Nominal Estimate	1969 99% Confidence Intervals	1971 Nominal Estimate	1971 99% Confidence Intervals	1973 Nominal Estimate	1973 99% Confidence Intervals
Federal government	$ 82,054	79,866-84,241	$117,660	115,319-120,002	$143,607	141,460-145,754
State government	24,550	23,836-25,261	31,022	30,316-31,823	50,412	49,663-51,161
Local government	70,518	67,567-73,448	78,305	75,149-81,460	76,371	73,905-78,838
Total government	$177,708	175,149-180,246	$227,024	224,835-229,213	$270,410	268,503-272,317
Philanthropic foundations	11,464	9,823-13,105	15,830	14,456-17,204	21,966	20,099-23,923
Corporate gifts	20,617	19,502-21,731	21,714	20,808-22,620	22,335	21,746 22,924
Individual gifts	32,339	31,740-32,937	48,131	47,399-48,864	40,178	39,678-40,677
Investment income	25,629	24,909-26,395	30,733	30,092-31,375	32,360	31,651-33,069
User fees	87,162	85,480-89,298	102,146	99,399-104,894	103,969	100,964-107,373
Membership dues	5,139	4,643-5,634	4,958	4,601-5,314	4,862	4,553-5,172
Sales of goods/products	42,296	39,892-44,700	39,956	37,727-42,186	37,572	35,645-39,499
Fund-raising events	835	764-908	3,878	2,280-5,314	3,025	2,876 3,175
United Torch allocations	21,646	20,160-23,132	22,803	22,742-22,864	23,623	23,064-24,182
Other	61,582	60,797-62,365	67,310	66,577-68,043	61,534	60,945-62,124
Total private	$309,422	306,966 311,878	$356,066	353,816-358,315	$352,762	350,895-354,629
Total	$486,453	484,038-488,867	$563,124	560,850-565,397	$623,186	621,286-625,084

Source: Financial questionnaires returned by sample of Cleveland area human service organizations (N = 107). Human Services Design Laboratory, School of Applied Social Sciences, Case Western Reserve University.

Note: Since each dollar figure was derived independently from sample data, the total figures are not necessarily the sum of their constituent amounts

To obtain an idea of real growth of budgetary resources we have applied the Consumer Price Index to per capita data so as to deflate 1971 and 1973 dollars to those of 1969. Table 10 gives the 99 percent confidence intervals for per capita expenditures adjusted to the base year 1969. For example, while Table 9 shows that

Table 8

Public and Private Sources of Agency Income, 1969-73: 99% Confidence Intervals for Breakdown of Estimated Total Income in Percentages Cleveland, Ohio, SMSA, April 1975

Source of Income	1969		1971		1973	
	Est. from Agencies Sampled	99% Confidence Intervals	Est. from Agencies Sampled	99% Confidence Intervals	Est. from Agencies Sampled	99% Confidence Intervals
Federal government	16.9	16.5,17.4	20.2	19.8,20.6	23.0	22.7,23.4
State government	5.2	4.9, 5.4	5.3	5.2, 5.5	8.1	8.0, 8.2
Local government	14.4	14.0,15.3	13.4	12.9,14.0	12.3	11.9,12.7
Total government	36.5	36.2,36.9	38.9	38.6,39.3	43.4	43.1,43.7
Philanthropic foundations	2.4	2.0, 2.7	2.7	2.5, 3.0	3.5	3.2, 3.8
Corporate gifts	4.3	4.0, 4.5	3.7	3.6, 3.9	3.6	3.5, 3.7
Individual gifts	6.6	6.5, 6.8	8.3	8.1, 8.4	6.5	6.4, 6.5
Investment income	5.3	5.1, 5.4	5.3	5.2, 5.4	5.2	5.1, 5.3
User fees	17.9	17.6,18.3	17.6	17.0,18.0	16.9	16.4,17.7
Membership dues	1.1	1.0, 1.2	0.8	0.8, 0.9	0.8	0.7, 0.8
Sales of goods/products	8.7	8.2, 9.1	6.9	6.5, 7.2	6.0	5.7, 6.3
Fund-raising events	0.2	0.2, 0.2	0.4	0.4, 0.5	0.5	0.5, 0.5
United Torch allocations	4.4	4.2, 4.7	3.9	3.9, 3.9	3.8	3.7, 3.9
Other	12.7	12.6,12.8	11.5	11.4,11.7	9.8	9.8, 9.9
Total private	63.5	63.3,63.8	61.1	60.7,61.5	56.6	56.3,56.9
Total	100.0	99.5,100.5	100.0	99.6,100.4	100.0	99.7,100.3

between 1969 and 1973 per capita expenditures in the public sector rose by approximately $77.00, and in the private sector by approximately $61.00, Table 10 shows that the real per capita increase was but $49.00 in the former category and $26.00 in the latter. Similarly, whereas total per capita expenditures in Table 9 showed an increase of approximately $139.00 over this time period, the real per capita increase as seen in the adjusted figures of Table 10 was in actuality closer to $77.00.

Breakdown of Income Sources by Individual Category

Tables 11 through 15 are summaries for the sources of funds for each individual category. (A separate table for environment/conservation is not included. For explanation see discussion of methodology earlier in this chapter.) These tables allow for more detailed examination of the funding trends evidenced in Tables 1 through

Table 9

Public and Private Sources of Agency Income, 1969-73: 99% Confidence Intervals of Total Unadjusted Per Capita Income[a] Cleveland, Ohio, SMSA, April 1975

	Per Capita Income in Dollars from All Sources: Confidence Intervals in Dollars		
Source of Income	1969	1971	1973
Federal government	$ 38.70, 40.62	$ 62.16, 64.08	$ 84.90, 87.40
State government	11.56, 12.25	16.34, 17.16	29.61, 30.70
Local government	32.75, 35.50	40.54, 42.91	44.36, 47.31
Total government[b]	94.67, 97.34	121.20, 123.64	161.08, 163.43
Philanthropic foundation	4.76, 6.35	7.79, 9.27	12.01, 14.36
Corporate gifts	9.45, 10.18	11.22, 12.10	13.06, 13.76
Individual gifts	15.30, 15.96	25.56, 26.34	23.62, 24.42
Investment income	12.07, 12.79	16.22, 16.91	19.00, 19.75
User fees	41.20, 43.27	53.38, 56.54	60.35, 64.44
Membership dues	2.33, 2.73	2.40, 2.96	2.72, 3.10
Sales of goods/products	19.33, 21.06	20.34, 22.74	21.39, 23.71
Fund-raising events	.37, .44	1.23, 2.06	1.72, 1.91
United Torch allocations	9.45, 10.60	12.26, 12.32	13.84, 14.51
Other	29.46, 30.23	35.80, 36.60	36.56, 37.20
Total private	146.09, 148.47	190.86, 193.20	210.80, 212.84
Total	$232.18, 234.52	$313.28, 315.70	$372.78, 375.08

a. Per capita data based on population figures from the U.S. Department of Commerce, Bureau of Statistics:
1969-SMSA population = 2,063,729 (1970 census)
1971-SMSA population = 2,036,000 (HSDL estimate)
1973-SMSA population = 1,996,900 (1973 estimated census)

b. Since all figures are endpoints of confidence intervals their sums will not equal the corresponding endpoints for the "total" category.

10, including the degree to which public and private funding sources support each of the five areas. HSDL researchers chose not to affix confidence intervals to Tables 11 through 15 as there were not enough responding agencies in each category. The normal distribution gives a poor approximation to reality in cases where such small numbers are involved.

For example, private dollars support greater than 90 percent of the budget of private, nonprofit organizations in the categories of education and cultural affairs. In the categories of health, social services, and civic affairs, private dollars account for only about 50 percent of the total budget; and, furthermore, it is well to note that in each of these latter three categories, a significant decrease in total private dollars is manifest over time (particularly in the area of civic affairs in which the private contributory share dropped from 74 percent in 1969 to 57 percent in 1973). Also of importance is the fact that within those categories financed almost totally by the private sector (education and cultural affairs), philanthropic foundations and

Table 10

Public and Private Sources of Agency Income, 1969-73: 99% Confidence Intervals of Total Estimated Per Capita Income Cleveland, Ohio, SMSA, April 1975

(1971 and 1973 adjusted by Consumer Price Index to 1969 constant dollars[a])

	Per Capita Income in Dollars from all Sources		
Source of income	1969 (Unadjusted)	1971 (Unadjusted)	1973 (Unadjusted)
Federal government	$ 38.70, 40.02	$ 56.64, 58.94	$ 70.64, 72.90
State government	11.56, 12.25	14.09, 15.60	24.07, 25.62
Local government	32.75, 35.30	36.91, 40.01	37.01, 39.46
Total government[b]	84.67, 87.34	110.43, 112.56	134.46, 136.37
Philanthropic foundations	4.76, 5.35	7.10, 8.45	10.02, 11.90
Corporate gifts	9.65, 10.52	10.22, 11.11	10.80, 11.40
Individual gifts	15.38, 15.96	23.26, 24.00	19.67, 20.27
Investment income	12.07, 12.70	14.76, 15.41	15.65, 16.36
User fees	41.20, 43.27	48.62, 51.22	[illegible], 53.77
Membership dues	2.25, 2.73	2.26, 2.61	2.28, 2.30
Sales of goods/products	19.28, 21.64	18.58, 20.78	17.05, 19.70
Fund-raising events	.37, .44	1.12, 2.61	1.44, 1.90
United Torch allocations	9.78, 11.21	11.17, 11.20	11.56, 12.11
Other	29.46, 30.23	32.70, 33.42	26.02, 31.11
Total private	148.74, 151.12	173.78, 175.99	175.72, 177.30
Total	$234.55, 236.60	$285.20, 287.52	$311.12, 313.03

a. From U.S. Bureau of Labor Statistics, Consumer Price Index for All Items (Cleveland SMSA):

1969 - 111.9
1971 - 122.6
1973 - 134.1

b. Since all figures are endpoints of confidence intervals their sums will not equal the corresponding endpoints for the "total" category.

corporate gifts account for over 20 percent of the total budget; whereas in those categories half financed privately, the foundation and corporate share amounts to no greater than 6 percent of the total budget and shows no signs of increasing substantially over the years.

Interesting aspects of the trends of government funding also become highlighted in these tables. In Table 2 we have seen the upswing in federal and state government contributions for the totality of all human service organizations. Tables 11 through 15 demonstrate that this increase has occurred to some extent in all organizational categories. Particularly apparent is the influx of federal funds in certain categories, from 0.8 percent to 8.1 percent in social services and from 26.0 percent to 42.8 percent in civic affairs, over the five-year period. Such data seem to suggest that government spending on the federal level is continuing a trend actually begun prior to 1969 of extending into areas traditionally supported largely by the private sector.

In the pages that follow, we present individual and more detailed analysis of each of the five categories.

Education

The education category (Table 11) is composed of the following sub-groupings:

Higher education (private colleges and universities)	1
Private elementary and secondary schools	1
Special education programs	6
Total	8

From Table 11 we can infer that although user fees have consistently provided the bulk of private educational sustenance during the years under study, the user-fee proportion declined in proportion to the slight increases manifest by government, foundation, and corporate contributions (government contributions increased from 4.2 percent of total income in 1971 to 6.9 percent in 1973, philanthropic foundation contributions increased from 7.5 percent of total income in 1971 to 10.9 percent in 1973, and corporate contributions increased from 3.7 percent of total income to 5.3 percent in 1973, while user fees declined from 44.4 percent of total income in 1971 to 38.3 percent in 1973).

Because six of the eight organizations sampled in the category of education belong to the sub-grouping of special education programs, we might attribute the increase in government, philanthropic, and corporate contributions to the heightened interest in recent years in developing programs that are innovative and especially geared to specific problems (for example, education and training for the handicapped). It would appear unlikely, however, that the governement share of the private education dollar will continue to expand much further at this time in light of apparently intensifying financial problems facing public school systems, particularly those of urban areas.

Cultural Affairs

The category of cultural affairs (Table 12) was composed of a sample of 10 organizations, which, although not formally broken down into specific sub-groupings, included musical and art societies, museums, and theatre groups. The cultural affairs area has historically been supported almost totally by the private sector; however, Table 12 demonstrates that in recent years a noticeable proportion of the cultural affairs budget has been provided through government gratuity (federal and state government contributions both increased from 0 percent in 1969 to a respective 3.5 percent and 2.3 percent of the total budget in 1973; local government contributions went from 2.1 to .2 percent. These recent donations from government sources have in large measure been earmarked for special programs more or less educational in nature, as, for example, symphony and drama presentations for public school children.

Philanthropic foundations have continued their tradition of encouraging the development and promotion of cultural affairs through the provision of increasing financial support over the years. The philanthropic foundation share of the cultural affairs dollar reached 16.7 percent in 1973, which is a 10.9 percent increase since 1969. Corporate gifts have risen significantly since 1969, when their share was a negligible 1.7 percent, to the 1973 figure of 5.5 percent, representing a relative increase of 3.8 percent over the five-year period. It appears that with the augmenta-

Table 11

Public and Private Sources of Agency Income for Sample of Human Service Organizations, Cleveland, Ohio, April 1975

Education

Source of Income	1969 Amount in Dollars	1969 %	1971 Amount in Dollars	1971 %	1973 Amount in Dollars	1973 %
Federal government	$ 317,997	2.7%	$ 404,090	2.7%	$ 669,461	4.3%
State government	20,488	.2	174,079	1.2	383,735	2.4
Local government	15,521	.1	14,608	.1	33,000	.2
Total government	$ 354,926	3.0%	$ 594,777	4.2%	$ 1,076,806	6.9%
Philanthropic foundations	526,697	4.5	1,062,086	7.5	1,700,220	10.9
Corporate gifts	506,150	4.4	525,199	3.7	830,022	5.3
Individual gifts	230,075	2.0	791,909	5.5	860,142	5.5
Investment income	395,021	3.3	335,044	2.5	495,792	2.8
User fees	4,995,305	42.3	6,363,751	44.4	6,046,062	38.3
Membership dues	330	0	200	0	280	0
Sales of goods/products	822,216	7.0	358,206	2.5	381,191	2.4
Fund-raising events	6,041	.1	16,220	.1	25,497	.2
United Torch allocations	0	0	0	0	0	0
Other	3,004,949	25.2	4,224,242	29.6	4,362,967	27.7
Total private	$11,484,306	97.0%	$13,730,645	95.8%	$14,652,114	93.1%
Total	$11,831,290	100.0%	$14,325,422	100.0%	$15,730,920	100.0%

Source: Financial questionnaires returned by sample of Cleveland area human service organizations in the "education" category (N = 8).

tion of government funds and private gifts, user fees have undergone a substantial reduction of 22 percent, from 35.2 percent in 1969 to 13.2 percent in 1973.

Health

The health category (Table 13) has the following sub-groupings:

Human services and education (including research)	11
Mental health	6
Hospitals	7
Medical programs	3
Nursing homes	5
Total	32

Table 12

Public and Private Sources of Agency Income for Sample of Human Service Organizations, Cleveland, Ohio, April 1975

Cultural Affairs

Source of Income	1969 Amount in Dollars	1969 %	1971 Amount in Dollars	1971 %	1973 Amount in Dollars	1973 %
Federal government	$ 0	0%	$ 113,013	2.7%	$ 183,790	3.5%
State government	0	0	906	.2	122,700	2.3
Local government	26,434	2.1	30,170	.7	12,808	.2
Total government	$ 26,434	2.1%	$ 150,380	3.6%	$ 319,297	6.0%
Philanthropic foundations	71,760	5.8	614,116	14.7	874,113	16.7
Corporate gifts	21,550	1.7	176,070	4.2	285,930	5.5
Individual gifts	213,463	17.2	630,230	15.1	786,772	15.0
Investment income	248,080	20.0	1,002,268	24.1	1,056,199	20.2
User fees	436,044	35.2	561,554	13.5	690,646	13.2
Membership dues	43,077	3.5	60,215	1.4	68,117	1.3
Sales of goods/products	41,160	3.3	61,494	1.5	109,810	2.1
Fund-raising events	25,671	2.0	322,706	7.7	308,686	5.9
United Torch allocations	0	0	0	0	0	0
Other	110,184	8.9	588,080	14.0	740,082	14.1
Total private	$1,213,018	97.9%	$4,014,960	96.4%	$4,919,885	94.0%
Total	$1,239,452	100.0%	$4,165,340	100.0%	$5,239,212	100.0%

Source: Financial questionnaires returned by sample of Cleveland area human service organizations in the "cultural affairs" category (N = 10).

Because we polled only those organizations that were nonprofit and wholly or partly recipient of government funds, we did not include in our sample any for-profit hospitals, nursing homes, or other strictly private health delivery organizations; nor did we sample any totally government-run institutions excepting those having one or more privately financed programs. Our test sample demonstrates that the income of health-oriented operations is derived almost equally from private and govenment sources.

However, it is interesting that in 1973 government contributed a little more than 52 percent of total income, whereas in 1969 private sources had contributed a little more than 52 percent. The upswing in government funding is particularly noticeable in the area of state government between 1971 and 1973, from 8.6 percent to 12.7

Table 13

Public and Private Sources of Agency Income for Sample of Human Service Organizations, Cleveland, Ohio, April 1975

	Years					
	1969		1971		1973	
Source of Income	Amount in Dollars	%	Amount in Dollars	%	Amount in Dollars	%
Federal government	$13,069,949	25.2%	$16,742,450	26.0%	$23,427,039	29.4%
State government	4,611,596	8.9	5,777,266	8.6	10,126,377	12.7
Local government	6,948,369	13.4	7,575,631	11.4	8,135,078	10.2
Total government	$24,629,914	47.5%	$30,095,376	46.0%	$41,690,284	52.3%
Philanthropic foundations	890,367	1.7	848,845	1.3	1,247,966	1.6
Corporate gifts	2,950,364	5.7	3,288,962	5.0	3,434,440	4.4
Individual gifts	4,771,086	9.2	7,183,037	10.7	6,313,[illegible]54	7.9
Investment income	3,764,522	7.2	4,305,004	6.6	5,015,526	6.3
User fees	8,756,404	16.9	10,907,472	16.3	12,991,204	16.4
Membership dues	526	0	3,607	0	6,265	0
Sales of goods/products	827,047	1.6	800,720	1.2	619,686	1.5
Fund-raising events	46,900	.1	64,450	.1	86,700	.1
United Torch allocations	1,193,263	2.3	1,381,036	2.3	1,591,216	2.0
Other	4,065,081	7.8	5,691,426	8.5	5,975,396	7.5
Total private	$27,265,802	52.5%	$35,738,669	54.0%	$37,854,885	47.7%
Total	$51,895,716	100.0%	$65,840,045	100.0%	$79,554,169	100.0%

Source: Financial questionnaires returned by sample of Cleveland area human service organizations in the "health" category (N = 32).

percent, undoubtedly the result of the influx of Medicaid (Title 19) and mental health (648 Board) monies at this time. The decline in private sources of income is most apparent in the areas of individual and corporate gifts. One may surmise that as health costs continue to spiral, the belief is gaining momentum that the federal government should assume increasing responsibility in assuring adequate medical coverage.

Social Services

The social service category (Table 14) is composed of the following subgroupings:

Day care	1
Child welfare	3
Youth programs	3
Recreation	7
Community service organizations	10
Family service	20
Total	44

The most striking finding shown in Table 14 is the extraordinary expansion of federal government funding in the social services, from 0.8 percent in 1969 to 8.1 percent in 1973. This increase is undoubtedly attributed at least partially to legislation expanding federal support of family service and youth programs since 1971. State government funding also manifests an increase, although to a much

Table 14

Public and Private Sources of Agency Income for Sample of Human Service Organizations, Cleveland, Ohio, April 1975

	Social Services					
	1969		1971		1973	
Source of Income	Amount in Dollars	%	Amount in Dollars	%	Amount in Dollars	%
Federal government	$ 1,538,847	.8%	$ 1,188,065	4.7%	$ 2,310,661	8.1%
State government	252,482	1.2	670,629	2.6	1,111,098	3.9
Local government	6,726,056	33.1	9,097,679	35.7	9,596,056	33.7
Total government	$ 7,132,365	35.1%	$10,956,363	43.0%	$13,018,015	45.7%
Philanthropic foundations	672,387	3.3	706,569	2.7	747,290	2.6
Corporate gifts	418,658	2.1	498,643	2.0	492,136	1.7
Individual gifts	768,369	3.8	1,027,236	4.0	1,075,525	3.8
Investment income	405,119	2.0	560,034	2.2	672,416	2.4
User fees	1,270,637	6.3	1,965,663	7.7	2,341,346	8.2
Membership dues	702,610	3.5	759,796	3.0	796,464	2.8
Sales of goods/products	1,937,061	9.4	1,936,263	7.6	2,117,439	7.3
Fund-raising events	79,746	.4	121,722	.5	285,678	1.0
United Torch allocations	3,018,072	14.9	3,333,290	13.0	3,891,029	13.7
Other	3,900,496	19.2	3,643,843	14.3	3,015,430	10.6
Total private	$13,173,157	64.9%	$14,543,059	57.0%	$15,434,753	54.3%
Total	$20,305,522	100.0%	$25,499,442	100.0%	$28,452,768	100.0%

Source: Financial questionnaires returned by sample of Cleveland area human service organizations in the "social service" category (N = 44).

lesser extent (from 1.2 percent in 1969 to 3.9 percent in 1973). Local government funding, while representing the single largest source of social services funding, (public and private), remained fairly constant (approximately 33 percent).

It appears that the relative decline in private funding of the social services (from 64.9 percent in 1969 to 54.3 percent in 1973) is due to the reduction of the percentage of donations from philanthropic foundations, corporations, and United Torch Services. This would seem to indicate that, as in the area of health (Table 13), there is a growing assumption that the government should demonstrate greater involvement in the initiation of and support for social service organizations.

Civic Affairs

The civic affairs category (Table 15) constitutes the following sub-groupings:

Housing	1
Public service training	3
Citizen involvement	4
Employment and economic development	4
Total	12

While total government contributions in the civic affairs area appears to be quite substantial (43.0 percent of total budget in 1973), it is well to note that almost all of these public monies originate from federal, rather than state and local, government. Examination of the individual completed questionaires in our sample of organizations belonging to the civic affairs category revealed that federal government funding, rather than being dispersed equally among all the sub-groupings in this category, is solely confined to the two areas of housing and employment and economic development. The remaining seven agencies, constituting the citizen involvement and public service training groupings, are apparently almost self-sustaining.

This is indicated by the confidential data on the original questionaires and also by the fact that in 1973 investment income, user fees, membership dues, and sales of goods/products represented 49.6 percent of total income, while the whole of private sources was only 57.0 percent of total income. Philanthropic foundation donations and corporate and individual gifts account for only 5.7 percent of the total; however, income from these three sources has risen slightly from the 1969 level of 3.2 percent. On the whole, private funding of civic affairs organizations has undergone considerable decline, down from 74 percent of the total budget in 1969 to 57 percent of the total budget in 1973.

II

CLEVELAND PHILANTHROPIC PROFILE: THE RECIPIENTS' VIEWPOINT

A systematic study of human service organizations in the Cleveland metropolitan SMSA was conducted to determine how patterns and possible changes in philanthropic giving and volunteer activity have affected recipient agencies.

The study design consisted of first compiling a comprehensive inventory of all such organizations in the four-county area. Organizations were categorized according to primary area of service -- health, mental health, hospitals, nursing homes, child

Table 15

Public and Private Sources of Agency Income for Sample of Human Service Organizations, Cleveland, Ohio, April 1975

Civic Affairs

Source of Income	1969 Amount in Dollars	1969 %	1971 Amount in Dollars	1971 %	1973 Amount in Dollars	1973 %
Federal government	$2,442,915	26.0%	$ 4,667,180	34.3%	$ 6,882,468	42.8%
State government	0	0	0	0	0	0
Local government	0	0	0	0	29,996	.2
Total government	$2,422,915	26.0%	$ 4,667,180	34.3%	$ 6,912,464	43.0%
Philanthropic foundations	56,060	.6	125,377	.9	426,651	2.6
Corporate gifts	62,820	.7	72,075	.5	164,123	1.0
Individual gifts	179,998	1.9	643,404	4.8	335,416	2.1
Investment income	138,995	1.5	261,315	1.9	340,419	2.1
User fees	1,493,966	16.0	1,999,013	14.7	2,416,211	15.0
Membership fees	254,469	2.8	232,896	1.7	248,691	1.6
Sales of goods/products	4,603,395	49.4	5,372,235	39.5	4,962,392	30.9
Fund-raising events	0	0	0	0	1,077	0
United Torch allocations	0	0	13,168	.1	21,795	.1
Other	104,211	1.1	212,607	1.6	251,573	1.6
Total private	$6,893,954	74.0%	$13,132,090	65.7%	$ 9,168,348	57.0%
Total	$9,316,869	100.0%	$13,599,270	100.0%	$16,080,812	100.0%

Source: Financial questionnaires returned by sample of Cleveland area human service organizations in the "civic affairs" category (N = 12).

welfare, family service, day care, education, recreation, international, cultural, public affairs, and environmental/conservation.

A subsample of 20 organizations – 10 supported by United Torch Services (UTS) and 10 not receiving UTS allocations – were then selected from these lists to participate in in-person interviews. Two of the 20 chose not to participate for administrative reasons, and 2 other agencies were substituted.

Interviews were administered through the use of a questionnaire consisting of both structured and open-ended questions pertaining to the following substantive areas:

- Trends in governmental funding and their impact in the organization's field of service.

- Participation of volunteers in the organization and the relative impact of funding sources on their involvement.

- General impact of funding sources on various aspects of agency operation.

- Responsiveness of community funding sources to public needs.

Findings

Funding Trends

It appears that some slight shifts in sources of funding have been manifested in the last two to three years, particularly in terms of individual contributions. Twelve respondents (60 percent) noted at least some increase in total dollars of individual contributions, as opposed to only two (10 percent) who perceived a decrease.

However, there proved to be no consensus as to whether there had been a change in the number of contributors, seven (35 percent) indicating there had been no change, eight (40 percent) indicating increase, and four (10 percent) indicating a decrease. There appears to be no significant difference between UTS-supported and non-UTS-supported organizations on these issues.

Sixty percent agreed with the statement that the increase in government funding for human services during the last few years occurred because voluntary contributions have not been adequate; only 30 percent disagreed. However, this perceived relationship between government funding and individual contributions at the local level does not appear to work as obviously in reverse. Of the 20 respondents, 9 (45 percent) felt that increased government funding has had no effect on local patterns of individual contributions; 4 respondents (20 percent) offered no opinion in responding to this question.

The Role of Volunteers and Impact of Funding Sources on Their Involvement

The role of volunteers appears to be prodigious in the Cleveland community. Volunteers are utilized heavily, particularly in the areas of direct service, fund raising, and serving on boards and committees. Of the respondent agencies, 60 percent also use volunteers in professional capacities – as one director stated, "We are getting a new breed of volunteer, who does more significant work."

Volunteers are worth from ten thousand to several hundred thousand dollars annually to each of these organizations, yet almost two thirds of the respondents felt that they could use more volunteer service. A prevalent attitude is that program expansion is significantly dependent on expanding volunteer staff.

There has been little change in the availability or willingness of volunteers to participate in recent years. The majority of respondents feel that increased government funding has had almost no impact on either the function or the availability of volunteers.

Impact of Funding Sources on Agency Operation

The funding source has a definite and often prominent influence on agency operations, program content, and client group. Respondents perceive that the introduction of government funding to programs, particularly those formerly financed privately, has unquestionably affected certain aspects of programming (see Table 16). The most profound effects are noted to be an increase in program

Table 16

Effects of Introduction of Government Funds on Selected Aspects
of Agency Programs: Opinions of Recipients
Cleveland, Ohio, SMSA, November 1974

	Nature of Effect					
	Increase		Decrease		No Change	
Aspect of Program	No.	%	No.	%	No.	%
Control of programs	4	20%	6	30%	6	30%
Program accountability	12	60	1	5	3	15
Community involvement and initiative	7	35	0	0	9	45
Type of clients being served	9	45	1	5	5	25
Clients' use of services	9	45	0	0	7	35
Agency funding security	5	25	4	20	7	35

Source: Interviews with selected representatives of Cleveland area nonprofit voluntary agencies.

accountability, in types of clients served, and in clients' use of services. There was no general consensus, however, as to the way in which government funding affects either local control of programs or agency funding security.

Some agencies have changed aspects of their programs to correspond to certain requirements inherent in government grants. One respondent commented that there is increased availability of services, but that this is done primarily on the basis of what the state decides needs more or less emphasis; thus programs wind up expanding in those areas where state dollars are available. Often the objectives of the government are not in accordance with those of the agency, and it is the latter that is forced to alter its plans.

A few organizations actively steer away from government sources for funding, citing as reasons the lack of assurance of continued funding and the rigidity of requirements. Private funds allow for more program flexibility. One agency representative commented that his program has become more "humane," more responsive to individual needs, since private funds have predominated in his agency. He noted further that the private funding has enabled the program to gain wider acceptance because people feel more personally involved.

Responsiveness of Funding Sources to Public Need

A series of questions was asked regarding priority-setting mechanisms. Respondents viewed present priority-setting mechanisms in the community as *not* being wholly effectual, and many felt the need for more local and citizen input in the decision-making process.

One interesting and very definite trend emerged in the respondents' answers: that control of this function should be progressively moved out of the realm of the federal government and into that of local, preferably nongovernmental, auspices. Of the respondents, 25 percent indicated that participation of the federal government should decrease in this decision-making process, compared with only 5 percent advocating decreased participation of at-large local citizens' groups. Table 17 illustrates this trend.

Table 17

Desirability of Increase, Decrease, or No Change in Level of Participation of Groups and Government in Setting Priorities for Allocating Resources to Local Human Service Organizations: Opinions of Recipients
Cleveland, Ohio, SMSA, November 1974

	Appropriate Level of Participation					
	Increase		Decrease		No Change	
Groups/Government	No.	%	No.	%	No.	%
Neighborhood groups	11	55%	2	10%	5	25%
At-large citizens' groups	12	60	1	5	6	30
Nongovernmental planning bodies	10	50	2	10	7	35
Local government	9	45	2	10	5	25
State government	10	50	3	15	6	30
Federal government	7	35	5	25	7	35

Source: Interviews with selected representatives of Cleveland area nonprofit voluntary agencies.

A related issue is the extent to which local contributors, both individuals and groups, are financially supportive of local agencies and sensitive to community needs. Respondents were asked the extent to which changing social issues and community needs have caused individual contributors to change their level of giving; 50 percent replied they perceived no effect on giving, 35 percent noted an increase, and 10 percent felt there had been a decrease.

An overwhelming majority (75 percent) of respondents felt that private foundations have changed their patterns of giving in relation to changing community issues and needs. They noted that foundations are addressing broader social issues, such as poverty and welfare, than in the past when the emphasis was on educationally oriented programs.

Several respondents said that foundations are becoming increasingly more responsive to emerging and experimental programs; other respondents felt that foundations are oriented toward maintenace of existing programs at the expense of encouraging those that are new and innovative. The fact that these viewpoints are apparently conflicting may possibly be attributed to direct experiences these spokesmen have had in seeking funding from private foundations for their own agency.

Although the majority of those interviewed perceived the private foundation as having become increasingly responsive to changing community needs, only 50 percent felt that private foundations are meeting their responsibilities; 25 percent did not feel that this was the case. When the latter group was asked how private foundations should change their practices, they emphasized that foundations should call for program evaluation and should then assure proven programs of sustained funding. They also felt that more citizen involvement is needed in allocating foundation funds.

Conclusions

The responses of agency representatives were notably affected by the sources of income of their own organization. Three organizations, for example, rely totally on the private sector for funding and found it difficult to respond to questions in

Table 16

Category of Grant Allocations Made by Three Major Cleveland Foundations: 1969-73[a]
Cleveland, Ohio, SMSA, November 1974

Category of Grant Recipient	1969[b] Amount in Dollars	1969[b] %	1971 Amount in Dollars	1971 %	1973 Amount in Dollars	1973 %
Education	$2,219,336	31.2%	$ 3,745,267	33.9%	$ 2,034,406	18.6%
Cultural affairs	615,671	8.6	1,376,569	12.5	1,418,535	12.9
Health	1,170,383	16.4	2,391,992	21.7	2,312,018	21.1
Social services	1,745,402	24.5	1,823,397	16.5	2,529,339	23.1
Civic affairs	1,370,378	19.3	1,562,196	14.2	2,264,910	20.7
Environment[c]	—	—	129,809	1.2	396,110	3.6
Total	$7,121,172[b]	100.0%	$11,029,230	100.0%	$10,956,320	100.0%

Source: Annual reports on file at the Cleveland Foundation Library, Cleveland, Ohio.

a. The three foundations are The Cleveland Foundation, George Gund Foundation, and Louis D. Beaumont Foundation.

b. Allocations for 1969 do not include Beaumont Foundation, as grant information was not available prior to 1970.

c. None for 1969.

which there was reference to government contributions. Others receive a negligible amount of private contributions. This may explain why few multiple-choice questions yielded highly significant responses in any one category.

However, a few meaningful generalizations did emerge from questionnaire responses. The first of these is that 85 percent of respondents acknowledged that government funding has an impact on the nature of programs offered, although as noted earlier, responses varied as to which components of programs have been affected and to what degree.

In contrast to effect on programs, a majority indicated that government funding had but a negligible effect on local contributions, and even less on the availability of volunteers.

It appears that the organizations as a group are wary of establishing a communitywide commission or council for setting priorities in allocating resources to nonprofit institutions. They were equally divided on whether they felt present mechanisms were adequate and on whether they felt a communitywide commission would improve the situation. As noted above, the major recommendation of the respondents with regard to the priority-setting function is that of greater citizen and local involvement.

III

CLEVELAND PHILANTHROPIC PROFILE: DONOR ALLOCATIONS

Chapter I, which analyzed income data as reported by a sample of 107 human service agencies, presented a view of local philanthropy from the recipients' perspective. This section looks at the "other side of the coin" – the allocations made by foundations, charitable trusts, corporations, and federations in the Cleveland metropolitan area.

Due to the extremely short time allotted for the Cleveland study, the HSDL was unable to conduct an in-depth investigation of donor allocations. The information presented in the following tables is highly selective, and the reader is cautioned against using it to characterize philanthropy in the Cleveland metropolitan area. What it does provide is one important piece of the total picture, showing how several major foundations, corporations, and the United Torch allocated monies to various categories of human service organizations. The HSDL hopes that further research will be conducted so that a more complete picture of donor allocations can be obtained.

Findings

To study foundation allocations, the HSDL compiled data on awards made by three major local foundations for the years 1969, 1971, and 1973 (see Table 18). However, since data were not available from one of the foundations for grants made prior to 1970, the tabulation does not use a common base over the five-year period. Percentages for each grant category were calculated, and these do provide a basis for comparing the 1971 and 1973 allocations with 1969.

What Table 18 indicates is that for the three foundations studied, educational grants dropped significantly in 1973, while there was a substantial increase from 1971 to 1973 in funding for both social services and civic affairs. Allocations for cultural affairs remained relatively stable over the five-year period, as did health, particularly between 1971 and 1973. Environmental concerns blossomed during the period studied with funding going from $0 to nearly $400,000 between 1969 and 1973.

When one compares the breakdown of grant allocations made by the three major foundations with the income reported by recipient organizations classified by type (Table 1), even though the figures are not directly comparable, similar trends are revealed.

For instance, both sets of data indicate a decline in funding of educational programs between 1971 and 1973, with the foundations' allocations (Table 18) falling more sharply than reported by the sample of educational organizations (Table 1). Both donors and recipients report basically stable funding, proportionately, of cultural affairs and health organizations between 1971 and 1973. Social services funding experienced a greater increase from 1971 to 1973 when viewed from the donors' standpoint than from the recipients. Only in the case of civic affairs organizations do the tables reveal conflicting trends, with an increase shown by the three foundations and a slight decrease reported by recipient organizations of that type.

The resemblance of trends between the two sets of data lends credence to the supposition that each portrays, at least partially, conditions that generally exist in regard to funding of human service organizations in the Cleveland area.

The only data tabulated for corporate foundations were allocations made by four foundations in 1972 (see Table 19). These four are among the largest of their kind locally, but probably represent only about 15 percent of Cleveland corporate giving.

Table 19

Category of Grant Allocations Made by Four Cleveland Corporate Foundations, 1972[a]
Cleveland, Ohio, SMSA, November 1974

	Grant Allocations, 1972			
Category of Grant Recipient	Amount in Dollars	%	Number of Grants	Mean Grant Award in Dollars
Education	$ 438,060	32.3%	39	$11,233
Cultural affairs	87,977	6.5	18	4,888
Health	133,501	9.8	39	3,423
Social services	610,478[b]	45.0	65	9,392
Civic affairs	86,441	6.4	35	2,470
Environment	--	--	--	--
Total	$1,356,466	100.0%	196	$ 6,921

Source: IRS 990 AR reports on file at The Cleveland Foundation Library, Cleveland, Ohio.

a. The four corporate foundations are Eaton Charitable Fund, Lubrizol Foundation, TRW Foundation, and the Second Sohio Foundation.

b. The allocation to Cleveland United Torch represents 61.4 percent of this amount, or $374,550.

Compared with the private and community foundation giving reflected in Table 18, the corporate foundations studied have a lower proportion of their philanthropic dollars allocated to cultural affairs, health, and civic affairs. Their social service allocations are higher than those of private and community foundations, but this is explained by the large contributions made by the corporate foundations to federated fund drives.

For the four corporate foundations studied, the combined 1972 Cleveland United Torch contribution of $374,550 represents 27.6 percent of their total giving and

61.4 percent of their allocations to social service activities. Interestingly, the corporation educational contributions are about the same proportion of their total giving as are those of the public and community foundations for 1969 and 1971, but are greater in comparison with the 1973 figures.

Federated funding, as represented by United Torch allocations, is shown for the years 1969, 1971, and 1973 (see Table 20). In looking at the five-year interval from 1969 to 1973, the health category shows the greatest proportional increase (about 8 percent), with civic affairs also increasing during that period. The social service category is down nearly 10 percent, and cultural affairs, with the smallest allocation, remains essentially unchanged between 1969 and 1973.

A comparison of United Torch allocations by grant category with the income reported by recipient organizations classified by type again reveals similar trends for the period 1969-1973. For the social services and health categories, a comparison of Tables 1 and 20 indicates similar trends between 1969 and 1973; however, the UTS figures indicate a far more pronounced increase in health funding and a sharper decline in social service funding than do the agencies themselves.

Even though considerable differences exist in the dollar amounts allocated as reported by UTS and recipient organizations, the fact that comparable trends are revealed strengthens the belief that the data convey a part of the actual picture regarding changes in the funding of human service agencies in the Cleveland SMSA between 1969 and 1973.

In addition to identifying constituent amounts, the HSDL also attempted to estimate the magnitude of combined local foundation and federated giving. From *The Foundation Directory* (edition 4, November 1971), 125 foundations and trusts based in the Cleveland metropolitan area were identified.

An analysis of data provided about this group reveals they have combined total assets of $379,307,530. Since each foundation listing contains a statement of grant expenditures, it was also possible to determine that the group of 125 expended $32,831,304. The reporting of expenditures was not always for the same year, and reports were often for periods several years prior to 1971; therefore, this figure probably represents the level of giving for foundations (including private, community, and corporate) and trusts for 1968-69. See Table 21 for a list of the 20 largest foundations in the Cleveland area, based on amount of annual grant expenditures.

Another point to consider is that not all expenditures by Cleveland-based foundations were made to organizations in the Cleveland metropolitan area. Undoubtedly, a significant amount went to support human service activities in other areas of northeastern Ohio, in other sections of Ohio, and outside Ohio. Furthermore, foundations located elsewhere were supporting activities in the Cleveland area. Thus, one should be cautious in using the data.

Using the figure from *The Foundation Directory*, along with the data compiled on corporate, foundation, and federated giving, the HSDL was able to *estimate* the total amount of private philanthropic expenditures in the Cleveland metropolitan area. It appears that the combined total of foundation, trust, corporate, and federated giving in 1973 exceeded $65,000,000 in the Cleveland area.

IV

CLEVELAND PHILANTHROPIC PROFILE: THE DONORS' VIEWPOINT

An important element in understanding philanthropy at the local level is the role key donors play in shaping a community's response to the needs of its human service organizations. Whether these individuals are associated with major founda-

Table 25

United Torch Allocations by Category: 1969-73
Cleveland, Ohio, SMSA, November 1974

Grant Category	United Torch Allocations					
	1969		1971		1973	
	Amount in Dollars	%	Amount in Dollars	%	Amount in Dollars	%
Education[a]	--	--	--	--	--	--
Cultural affairs	$ 173,880	1.2%	$ 166,316	1.1%	$ 344,957	1.2%
Health	4,465,746	31.7	4,467,367	29.7	7,389,910	38.4
Social services	8,617,077	61.1	9,407,390	62.7	9,048,356	51.5
Civic affairs	294,700	2.1	437,036	2.9	955,300	5.1
Environment	--	--	--	--	--	--
National/state agencies	544,345	3.9	542,760	3.6	497,640	2.7
Total	$14,095,036	100.0%	$15,060,647	100.0%	$18,796,1[illegible]	100.0%

Source: Data supplied by the United Torch Services, Cleveland, Ohio.
a. None for 1969.

Table 21

Cleveland Philanthropic Profile: Twenty Largest Cleveland-Area Foundations[a]

Name	Annual Grant Expenditures[b]
The Cleveland Foundation	$ 6,370,481
The Louis D. Beaumont Foundation, Inc.	3,374,951
George Gund Foundation	2,074,173
Austin Memorial Foundation	1,594,830
Cleveland Associated Foundation	1,408,770
TRW Foundation	904,036
Elisabeth Severance Prentiss Foundation	863,280
Martha Holden Jennings Foundation (Cleveland)	750,340
Second Sohio Foundation	721,000
Lincoln Electric Foundation	690,724
Sears Family Foundation	632,012
Lubrizol Foundation	597,965
The Ireland Foundation	572,300
Cleveland Electric Illuminating Foundation	570,891
Kulas Foundation	555,888
Eaton Charitable Fund	508,207
John Huntington Fund for Education	411,617
Vernon Stouffer Foundation	410,073
Roger and Evan Marlan Foundation	390,907
Warner and Swasey Foundation	379,340
Total	$31,090,331

a. From listings in *The Foundation Directory*, edition 4 (New York: Columbia University Press, 1971).

b. Expenditures reflect most recent year as reported in *The Foundation Directory*. Typically this is 1968 or 1969.

tions, corporations, banks, or philanthropic families, their opinions should tend to characterize the viewpoint of private givers in the community.

It was to such a group of key donors that the Human Services Design Laboratory went to obtain opinions regarding the major issues raised by the Filer Commission.

In order to identify key donors in the Cleveland metropolitan area, the staff of The Cleveland Foundation compiled a list of 65 individuals associated with major private foundations, public charities (public foundations), charitable trusts, and corporate foundations. From this list, approximately 33 names were selected randomly, and utilizing members of the professional staff of the HSDL, personal interviews were scheduled.

Since no attempt was made to identify all individuals in the community who were significantly associated with private philanthropy, one should be cautious in generalizing the opinions expressed by donors in the interviews to represent the sentiments of all donors. However, since the sample was drawn from a list of the most influential philanthropists in the community, the HSDL feels the opinions expressed are very likely to represent the views of Cleveland donors regarding the issues raised by the Filer Commission.

Interviews were conducted with all 33 donors in the original sample. Of the group interviewed, 15 represented private foundations, 6 represented public charities or community foundations, 5 represented charitable trusts, and 7 represented corporate foundations. However, only 31 interviews were used in the data analysis as 2 interviews could not be scheduled prior to the date necessary to begin tabulating results.

To facilitate the interviewing process, an interview schedule (questionnaire) was designed by the HSDL based on the data needs outlined by the Filer Commission. The interview schedule contains 42 items, with 37 of them of the structured type in which responses are recorded in predetermined categories. There are five open-ended questions in which donor responses are recorded verbatim.

The interviews with the sample of key donors took place in their offices or homes and were conducted between November 1 and November 22, 1974. The interviews required between 30 and 45 minutes to complete.

Findings

As previously mentioned, the Donor Interview Schedule was largely a structured instrument with responses recorded in predetermined categories. This type of instrument is best suited to questions of a very specific nature and limits the expression of opinions should the respondent feel uncomfortable with a definitive answer. However, the issues raised by the Filer Commission were stated in broad, general terms since the very nature of the subject – philanthropy – is one that addresses itself to a wide range of complex issues. While the HSDL research team would have preferred to use an unstructured, more open-ended interview schedule, time did not permit this. The analysis of open-ended questions is far more time-consuming and could not have been completed to meet the Commission's deadline. This point is raised because many of the donors felt uncomfortable responding to questions that could not be answered appropriately with "Yes" or "No" type answers. Therefore, any interpretation of the results of the donor interviews should recognize this very serious limitation. *In most instances, respondents' replies were assigned to predetermined categories which often did not allow for the expression of qualifying opinions, many of them highly significant.*

While the interviewers made efforts to note respondents' comments, the following analysis does not begin to suggest the breadth of opinion expressed by this very knowledgeable group of philanthropists. With this important caveat in mind, the results of the donor interviews follow, categorized by major issue as identified by the Filer Commission.

How Have Local Patterns of Philanthropy Changed in the Past Two to Three Years?

The donors interviewed were queried regarding shifts in contributions made by the foundations or trusts that they represent. Specifically, they were asked about changes in the number of contributions made by their foundation or trust during the past two to three years.

For large contributions, those over $5,000, just over half (52 percent) said they were making more grants of this amount. In fact, nearly one quarter (23 percent) replied that they were making many more contributions over $5,000. Just over one third of the donors said that there had been no change in the number of grants of this amount, while only two donors (6 percent) said they were making slightly fewer grants over $5,000. Table 22 provides a composite of the responses to this question.

The overall response indicates that large grants have increased more than medium-size ones ($100-$5,000), and while the majority of donors interviewed do not make small grants (under $100), for those that do there appears to be no overall change in this category.

Table 22

Changes in Number and Amount of Foundation Grants: Opinions of Key Donors Cleveland, Ohio, SMSA, November 1974

	Size of Grants					
	Over $5,000		$100-$5,000		Under $100	
Change in Number of Grants	No.	%	No.	%	No.	%
Many more	7	23%	2	7%	--	--
Slightly more	9	29	4	13	3	10
No change	11	36	10	34	5	16
Slightly less	2	6	7	23	3	10
Many less	--	--	3	10	2	6
Not applicable	1	3	3	10	18	58
No opinion	1	3	1	3	--	--
Total	31	100%	31	100%	31	100%

Source: Interviews with representatives of Cleveland area private philanthropic foundations, public charities (community foundations), corporate foundations, and charitable trusts.

Another question asked donors was whether changing social issues and community needs have caused foundations to change their patterns of giving. Nearly three quarters (74 percent) answered in the affirmative, while only five (16 percent) responded that foundation giving has not changed for this reason.

A majority of the donors who felt that patterns of giving have changed to reflect changing social issues and community needs said foundations are shifting their support away from traditional charities and organizations, such as hospitals, orphanages, orchestras, and educational institutions, to organizations dealing with current social and economic problems, particularly those of the inner city. Associated with this change is a shift from providing funds for agency operations and general support to funding experimental and pilot programs.

Some of the issues mentioned specifically were poverty, housing, hunger, racism, environment, public education, job training, drug addiction, crime, and women's rights.

One respondent commented that in its early years, philanthropy generally reflected the personal interests of the giver, those of himself, his family, or his associates. Today this earlier type of "personal philanthropy" has given way to a broader view, one that has been fostered by the establishment of the community foundation. This newer type of philanthropy he characterized as "cooperative philanthropy."

The donors were also asked whether they felt changing social issues and community needs have caused individual contributors to change their level of giving. Nearly two thirds (66 percent) of the respondents felt individual contributions have increased for this reason. Only one respondent expressed the opinion that changing social issues and community needs have resulted in a decrease in giving by individuals.

Are Local Mechanisms for Setting Priorities Satisfactory and Do They Provide Adequate Community Involvement?

One of the basic issues raised by the Filer Commission is the appropriateness of the allocation of society's resources to satisfy community needs. At the local level, this concern translates into whether a community's mechanism for setting priorities for allocating resources to human service organizations is satisfactory. This question was put to each of the donors interviewed, with almost an equal division of opinion. Thirteen donors (42 percent) felt community priority-setting mechanisms are satisfactory, while 14 (45 percent) felt they are not.

Even though this was not an open-ended question, several respondents did elaborate. One was concerned that the local community's role in establishing priorities for funding human service organizations is being eroded by the federal government's practice of requiring local matching monies to obtain program grants. His experience indicates that where a federal program may initially require only a 5 percent local match, when the program is refunded the government's practice is often to increase the local share requirement, thus mandating that local voluntary money be used to make up a greater proportion of the total program dollars. In this manner, the federal government tends to "soak up" the voluntary money and by so doing dictates the allocation of local funds. The result is that the community may have less and less choice about where voluntary dollars are to be spent.

Another respondent, also indicating considerable concern over local mechanisms for setting priorities, believed that present mechanisms are inadequate for two reasons. One is that private foundations, in his opinion, tend to "nickel and dime" themselves. By this he means they make small grants which lack focus or impact. By doing this, small foundations can point to few accomplishments related to their giving. The other problem he identified was that the great majority of foundations wait for recipient organizations to come to them with proposals, rather than going into the community to determine needs. He thought it was important for foundations to seek out appropriate projects and to put together packages of foundation dollars to carry out necessary community programs.

Another issue concerning the establishment of local priorities is the participation of various local groups and government. Respondents were asked if they felt the participation of each of six categories of groups and government should increase, decrease, or remain unchanged in regard to priority setting. The six categories were local government, neighborhood groups, at-large citizen groups, state government, federal government, and nongovernmental planning bodies.

The donors generally agreed that the participation of neighborhood groups, nongovernmental planning bodies, and at-large citizen groups should increase. Greater governmental participation in local priority setting – whether at the federal, state, or local level – was not favored. The responses to this set of questions are tabulated in Table 23.

Are Local Foundations Meeting Their Responsibilities to the Community?

Admittedly, this is a very general question and one that assumes that the respondents share a common understanding of what are the "responsibilities" of local foundations. While the vagueness of the question bothered many donors, nearly all (87 percent) answered it affirmatively. In fact, out of 31 respondents, only 3 said foundations are not meeting their responsibilities in terms of types of programs they are funding. One respondent offered no opinion.

The question on foundation responsibility provided respondents with the opportunity to comment on what changes they think are needed to make foundations more responsive to community needs. Donors who felt foundations are not

Table 23

Desirability of Increase, Decrease, or No Change in Level of Participation of Groups and Government in Setting Priorities for Allocating Resources to Local Human Service Organizations: Opinions of Key Donors Cleveland, Ohio, SMSA, November 1974

	Appropriate Level of Participation in Local Priority Setting					
	Increase		Decrease		No Change	
Groups/Government	No.	%	No.	%	No.	%
Neighborhood groups	19	71%	2	7%	6	22%
At-large citizens' groups	15	56	5	18	7	26
Nongovernmental planning groups	19	68	2	7	7	25
Federal government	5	19	9	33	13	48
State government	2	7	5	18	7	26
Local government	4	14	16	57	8	29

Source: Interviews with representatives of Cleveland area private philanthropic foundations, public charities (community foundations), corporate foundations, and charitable trusts.

meeting their responsibilities criticized foundations for being too traditional, with lacking initiative, and for "acting like a conduit" by channelling money to certain organizations. Some of those who responded affirmatively qualified their answers by stating that foundations need to take more risks by funding experimental programs where results are not fully guaranteed.

In What Areas of Human Services Should Foundations Have Greater Financial Involvement?

Directly related to the previous issue is where local foundations and trusts should have greater financial involvement. Donors were read or shown a list of 12 areas of human service activities and were asked to indicate where they thought foundations should have greater involvement (see Table 24). The areas where a majority of respondents thought that there should be increased foundation financial support were, in order of selection, (1) education, (2) cultural affairs, (3) mental health, (4) child and family services, (5) environment and conservation, (6) health.

For five additional human service areas, between one third and almost one half of the respondents thought foundations and trusts should increase their financial support. In order of selection, these were (1) public (civic) affairs, (2) day care, (3) recreational activities, (4) hospitals, (5) nursing homes.

In only one area, religious activities, did the overwhelming number of respondents (81 percent) feel there was no need for increased financial support.

Since there is an apparent inconsistency, it is worth considering the response to this question in light of the opinions expressed by a majority of donors who identified a shift away from supporting traditional charities, specifically educational and cultural institutions and activities. One explanation might be that while these two areas – education and cultural affairs – are presently facing increased competition for local philanthropic dollars along with some loss of support, there remains a recognition on the part of donors for the need to provide increased financial support. This would appear to indicate that unless educational and cultural

Table 24

Need for Greater Financial Involvement by Foundations and Trusts in Specific Areas of Human Service Activity: Opinions of Key Donors Cleveland, Ohio, SMSA, November 1974

Area of Human Service Activity	Should There be Greater Foundation/Trust Financial Involvement? Yes No.	Yes %	No No.	No %	Don't Know/ No Opinion No.	Don't Know/ No Opinion %
Education	26	84%	3	10%	2	6%
Cultural affairs	20	65	4	13	7	22
Mental health	20	65	7	22	4	13
Child and family services	18	58	10	32	3	10
Environment and conservation	17	55	9	29	5	16
Health	17	55	10	32	4	13
Public affairs	14	45	14	45	3	10
Day care	13	42	13	42	5	16
Recreation activities	12	39	11	35	8	26
Hospital	12	39	14	45	5	16
Nursing home	11	35	15	48	5	16
Religious activities	1	3	25	81	5	16

Source: Interviews with representatives of Cleveland area private philanthropic foundations, public charities (community foundations), corporate foundations, and charitable trusts.

institutions can either find new sources of financial support, or become more effective in obtaining philanthropic dollars, they are going to face increasingly serious financial problems.

How Has Government Support of Human Service Organizations Affected Philanthropy in the Cleveland Metropolitan Area?

A major endeavor of the Filer Commission is to determine the extent to which the availability of public funds has changed local patterns of philanthropy, including volunteer activity. The interview schedule included several questions addressing this issue. One concerned the effect, if any, the source of financial support has on programs offered by human service organizations, with the interviewer specifically using the example of government versus nongovernment funding. Just over two thirds (68 percent) of the donors felt the source of program funds does affect program offerings, and 42 percent of the respondents indicated that this is a significant effect. As this was not an open-ended question, the nature of the effect was not ascertained.

Another series of questions tried to determine if the availability of government funds has changed local patterns of contributing to public charities and private foundations and the level of volunteer activity. The consensus of the respondents was that government funds have had no appreciable effect on volunteer activity, in terms of willingness to either serve on boards or participate in general volunteer activities. Furthermore, respondents generally agreed that the availability of government funds had not significantly affected financial contributions. Most felt that the number of contributions over $5,000 has remained at about the same level during recent years.

Donors were asked if the increase in government funding could be explained by the inadequacy of voluntary contributions. Slightly over half (55 percent) responded "Yes" to this question, while 29 percent answered "No." The remaining 16 percent offered no opinion.

Respondents were also asked to consider what effect complete governmental funding of human service organizations would have on public support of these organizations in terms of contributions of both time and money. Just over 50 percent of the donors interviewed felt that complete governmental financial support would greatly decrease public support, and another 20 percent felt it would decrease public support slightly. Over half of the respondents indicated that volunteer activity would decrease with complete government support; however, nearly 40 percent of the donors felt that the need for volunteer services would not decrease. One donor commented that programs need volunteers for reasons other than for man-hours of service, as volunteers help demonstrate the value and viability of human service programs.

What Would Be the Impact of Changes in Federal Tax Laws Affecting the Deductibility of Charitable Donations?

A major concern of the Filer Commission is that Congress may change the tax laws affecting the deductibility of an individual's charitable contributions and that such changes may adversely affect human service organizations which rely heavily on private giving. The sample of donors were asked what they felt would happen if Congress were to eliminate the deductibility of charitable contributions, and over two thirds replied that individual donations would decrease greatly. Another 10 percent felt there would be a slight decrease in individual contributions, while the remaining 20 percent either indicated there would be no change or did not offer an opinion.

The donors were also asked how donations would change if Congress were to increase the deductibility of individual charitable contributions. Nearly three quarters of the respondents thought that donations would increase, equal proportions of this group (39 percent each) indicating either the increase would be significant or the increase would be slight.

What Is the Nature and Extent of Non-Financial Philanthropic Efforts and How Are They Related to Opportunities and Incentives for Financial Philanthropy?

The sample of donors were asked whether they felt there was a relationship between volunteer service by individuals and the opportunities or incentives for financial giving. In other words, does volunteer service promote financial philanthropy? Four fifths (81 percent) of the donors felt that volunteer service does promote financial giving.

When asked to elaborate on the relationship between service and giving, most of the respondents agreed that there is a direct correlation between a person's involvement with an organization and his or her financial support. Generally, volunteer service precedes financial support, for as the individual learns more about the organization and better understands its needs, he is more inclined to give money to support it. However, one of the corporate executives commented that involvement by corporate officials generally follows financial involvement, since the officials tend to feel a responsibility to involve themselves personally in organizations that the corporation supports.

V

SUMMARY AND CONCLUSIONS

Throughout this report, the HSDL research team has urged restraint in generalizing the findings to depict the actual nature of philanthropy in the Cleveland metropolitan area. Philanthropy is a subject that addresses a wide range of complex issues. A short-term study can hardly be definitive. What we have produced is a *profile* – an outline of some of the distinguishing characteristics of philanthropy in the Cleveland community, particularly those of immediate concern to the Filer Commission.

Recognizing the limitations outlined earlier in the introduction to this report, the following is a summary of the major findings of the HSDL's study of Cleveland philanthropy.

1. *Since 1969 Cleveland philanthropy (foundation and corporate gifts) have supplied an increasing proportion of the total private income for local human service organizations.*

Based on the analysis of financial reports submitted by 107 human service organizations, Cleveland-area foundations (private, public, and corporate) in 1973 provided approximately 12.5 percent of all income from private sources for these organizations (see Table 3). This was an increase of 2.1 percent over 1969 and 2 percent over 1971. Donors themselves tended to corroborate the financial data, as a majority indicated they are presently making more grants over $5,000 than they did a few years ago. (See Table 22.)

If foundation giving is considered in terms of total organization income (private and public) for the past five years, then foundations supplied 6.6 percent, 6.4 percent, and 7.1 percent, respectively, of all income for 1969, 1971, and 1973 for the sample of 107 local organizations. (See Table 5)

2. *There has been a gradually increasing level of governmental financial support for Cleveland human service organizations since 1969, accompanied by a slight decline in private support, exclusive of user fees.*

According to financial information supplied by the sample of 107 local nonprofit organizations, public (government) monies have increased from about 36.5 percent of all agency income in 1969 to 43.4 percent in 1973. During the same period, income from private sources exclusive of user fees has declined from just over 45.6 percent to 39.7 percent (See Table 4.)

In terms of constant 1969 dollars (where 1971 and 1973 dollars had been deflated by the Consumer Price Index to the 1969 level), the federal government showed an increase as a source of income of at least 21 million constant 1969 dollars in both 1971 (over 1969) and 1973 (over 1971). The rest of the increase derived from government sources is due almost entirely to state government, as the amount derived from local government sources changed relatively little.

The total income from private sources increased at least 42 million constant 1969 dollars in 1971 (over 1969) but showed no significant change (although our sample showed a slight decrease) in 1973 (over 1971).

3. The availability of government funds has had little or no apparent effect on local philanthropy, in terms of either the number of contributions over $5,000 made to human service organizations or the availability of volunteers.

A majority of both donors and agency executives interviewed indicated that the availability of government funds has had no appreciable effect on Cleveland human service organizations, either in terms of the number of financial contributions over $5,000, or in terms of the willingness of volunteers to serve local organizations.

4. Local opinion is that the source of funds to support local human service organizations does affect the nature of programs offered by organizations.

Just over two thirds (68 percent) of the donors interviewed and a majority of the agency executives agreed that the sources of financial support affect the programs offered by nonprofit organizations. The question as asked of both donors and agency executives specifically cited the example of government versus non-government funding.

Agency executives were also asked how the introduction of government funds affects particular aspects of their programs. They indicated that the most pronounced effect has been an increase in requirements for program accountability. Just under half of the agency executives responding noted that government funds had increased clients' use of services in their organizations and the types of clients being served. There was indication that some organizations actively steer away from the use of government funds, one respondent citing as reasons the lack of assurance of continued funding and the rigidity of government funding requirements.

5. Local mechanisms for allocating resources to human service organizations are viewed as not wholly satisfactory.

The study of Cleveland philanthropy revealed that a significant number of donors and recipients feel local mechanisms for setting funding priorities are not wholly satisfactory. While this was not an open-ended question, several respondents considered the issue important enough to elaborate.

One of the donors interviewed felt that the local community's role in establishing priorities is being eroded by the federal government's practice of requiring local matching monies to obtain program grants. His experience indicates that although a federal program may initially require only a 5 percent local match, when the program is refunded the government's practice is often to increase the local share requirement, thus mandating that local voluntary money be used to make up a greater proportion of the total program dollars. In this manner, the federal government tends to "soak up" the voluntary money and by so doing dictates the allocation of local funds. The result is that the community may have less and less choice about where voluntary dollars are to be spent.

With regard to which groups should participate in setting local priorities for allocating funding resources, both donors and recipients agreed that the participation of neighborhood groups, at-large citizen groups, and nongovernmental planning groups should increase. There was a lack of consensus between donors and recipients regarding governmental participation (city, state, and federal) in local priority setting. The donors expressed a clear preference for less governmental involvement, while agency representatives generally favored a greater governmental role in priority setting, though not quite to the extent that they favored increased participation by nongovernmental groups. (See Tables 17 and 23.)

6. Local consensus is that Cleveland-area foundations have altered their patterns of giving in response to changing community issues and needs and are meeting their responsibilities to the community.

Three quarters of both donors and agency representatives interviewed agreed that Cleveland-area foundations have changed their patterns of giving in response to changing community issues and needs. Furthermore, a considerable majority (87 percent) of donors interviewed felt that local foundations are meeting their responsibilities to the community in terms of the types of programs they are funding. On this point, recipients were not in such strong agreement, yet 50 percent did feel foundations were meeting their responsibilities (25 percent did not feel this was the case, and the remaining 25 percent offered no opinion).

In response to the question about shifting patterns of foundation funding, a majority of donors commented that foundations are less inclined to support traditional charities and organizations, specifically hospitals, orphanages, orchestras, and educational institutions. Both donors and agency representatives said foundations are presently addressing broader social issues, such as poverty, housing, racism, and welfare. There was not unanimity on this point, however; some respondents felt that local foundations are still oriented toward the maintenance of existing programs at the expense of encouraging those that are new and innovative.

7. *Since 1969 both the total number of volunteers serving Cleveland human service agencies and total volunteer hours have increased.*

In addition to financial data, the initial sample of 61 Cleveland area human service organizations submitted information on volunteer activity that indicates that both the total number of volunteers serving these organizations and the total volunteer hours have increased since 1969. This increase has been more pronounced in terms of volunteer hours, where the annual total has nearly doubled from 1969 to 1973. Agency representatives interviewed placed the value of volunteer service to their agencies at from ten thousand to several hundred thousand dollars annually. A prevalent attitude among agency executives is that program expansion is significantly dependent on expanding volunteer staff.

8. *Local philanthropists agree that decreasing the deductibility of charitable donations would greatly reduce individual contributions.*

The sample of key donors were asked what they felt would happen if Congress were to eliminate the deductibility of charitable contributions. Over two thirds replied that individual donations would decrease greatly. Another 10 percent felt that there would be a slight decrease in individual contributions.

The donors were also asked how donations would change if Congress were to increase the deductibility of individual charitable contributions. Nearly three quarters of the respondents felt that donations would increase, equal proportions of this group (39 percent each) feeling that either the increase would be significant or the increase would be slight.

PHILANTHROPIC PROFILE OF METROPOLITAN DES MOINES

United Way of Greater Des Moines, Inc.†

Survey Methodology

Organizations

A population of 252 nonprofit organizations was assembled using 15 categories of human service: health, mental health, hospitals, nursing homes, child welfare, family service, day care, religious, educational, cultural, recreation, environment and conservation, public affairs, international, and others. Twenty of the organizations initially identified for the survey were no longer in operation or were considered inappropriate for the study. The adjusted universe numbered 232 organizations.

A random sample of 99 organizations was drawn. The sample is proportional, based on the number of organizations falling into each category of the original population. Seventy-two of the sampled organizations participated in the study. (See Table 1 for a breakdown of the organization population and sample size by category.)

During the early phases of interviewing, any organization declining to participate was replaced by another organization from the population. (This was done for all groups except religious organizations as the drop-out rate of these organizations was very high from the beginning.) During the later stages of interviewing, non-participating organizations were dropped from the sample and not replaced because of time limitations.

Individuals

A list of 50 individuals known to be philanthropically inclined was assembled by the United Way staff. These included the heads of the 5 largest foundations in Des Moines, the presidents of 28 of the largest corporations, and 17 wealthy individuals known to contribute to private human service organizations. Of these 50 individuals, 31 agreed to participate.

The interview schedules for individuals and organizations were constructed so that essentially the same questions would be asked of both groups. The schedule designed for organizations contained questions directed specifically at agency functions and requesting specific financial data. The individual schedule included questions directed towards patterns of giving and variables that affect those patterns.

A letter and copy of the interview schedule was mailed July 15, 1974, to each organization in the sample. The organization was called by an interviewer for an appointment during the next two-week period. Each interview took an average of 35 minutes. In the majority of cases, the financial data requested of the organizations had not been prepared and were mailed at a later time. Some type of financial data was received from a total of 48 organizations. Interviewing ceased on August 14, 1974. Of the sample of 99 organizations, interviews were conducted with 72.

Many of the organizations that were willing to participate in the interview sessions had difficulty providing the requested financial information because their record keeping does not permit easy access to this information. Churches and private educational institutions were the two groups that had the most difficulty.

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† Charles M. Palmer, Mary B. Mannasmith (staff); William F. Woodman, Department of Sociology and Anthropology, Iowa State University (research consultant).

Table 1
Organization Population and Sample Size by Category

Categories	Original Population	Adjusted Population	Number Base on Sample Size of 100 (proportional)	Actual Number Sampled
Health	32	32	13	11
Mental health	5	5	2	2
Hospitals	5	5	2	2
Nursing homes	10	10	4	3
Child welfare	4	3	2	2
Family service	24	24	10	10
Day care	16	16	6	5
Religious (congregations > 500)	56	56	22	11
Educational				
Colleges	3	3	1	1
Private secondary	5	5	2	0
Private elementary	14	14	6	1
Private kindergarten	5	5	2	2
Cultural				
Museums	5	4	2	2
Symphony	1	1	0	0
Theater	3	3	1	1
Dance	0	0	0	0
Recreation	22	16	9	6
Environment and conservation	13	6	5	2
Public affairs	26	21	10	9
International	1	1	0	0
Other	0	0	0	0
Totals	252	232	99*	72

*Rounding the number sampled within a category to a whole number made drawing 100 in the total sample impossible.

Note: The original population assembled comprised 252 organizations. Twenty of these were no longer in existence or considered inappropriate for the sample. The sample was drawn proportionally, based on a population of 252 organizations.

Of the 22 churches in the sample, only 11 agreed to participate. (Most of those that refused did not view themselves as organizations whose primary purpose it is to provide social services in the same manner as the other types of organizations surveyed.) Of the 11 educational institutions drawn in the sample, 5 agreed to participate. It was impossible to contact a number of the schools because they were closed for the summer. In the area of environment and conservation, we were able to obtain two interviews from the five sample agencies. (Of the 13 environment and conservation agencies in the original population, most were funded by state and/or federal money.)

A cover letter and interview schedule were mailed to each of the individuals selected for the survey on July 25, 1974. This was followed by a telephone call from an interviewer requesting an appointment. Each session took approximately 15 minutes. Interviews ceased on August 14, 1974. As a group, the 31 individuals who were interviewed were well prepared for the interview and interested in the subject matter. For those who declined to participate, the primary reasons given were vacations and scheduling problems.

Financial Information

The financial data received from the organizations were not sufficiently complete to permit a reliable description of the amount of philanthropic giving in Des Moines. In order to obtain a better picture of philanthropic giving, the 5 largest foundations and 10 largest corporations were asked to provide figures on the total amounts given in Des Moines annually from 1969 to 1973, broken down by service categories. In addition, the organizations receiving the largest amounts of private donations were examined to determine trends in giving during the five-year period. United Way allocations for the years 1969 to 1973 are also presented, since a large proportion of private money is funneled into the human service system through this organization.

We wish to thank the many people who assisted us in the preparation and execution of this study. Interviewing of organizations and individual donors was done with the assistance of Jeanette Bear. Additional interviewing was done by Maddie Glazer, Joey Bishop, and Dorothea Sidney of the United Way Staff. Charlotte Kleiss and Mildred Mahana from the Retired Senior Volunteer Program (RSVP) and Fern Lyon from the Volunteer Bureau also participated. Special assistance was provided by David Banowetz in compiling information about public funding of human services. Clerical assistance was provided by Kay Ling, as well as a number of other United Way supportive staff. Special thanks to the organization directors and individual donors who agreed to participate in this study. Many of these people went to a considerable effort to provide the information we requested.

I

SURVEY FINDINGS

This chapter summarizes the information obtained in interviews with individual donors and nonprofit organizations.

1. Do you feel that present mechanisms for setting community priorities are adequate?

Three fourths of the organizations had no opinion about this. Most of the remaining organizations responded that community priority setting mechanisms are not adequate. About half of the individual donors said that present priority setting mechanisms are inadequate. The most frequently mentioned way of improving this situation was the establishment of a group for the specific purpose of setting community priorities.

2. Has the introduction of government funds into local programs formerly financed by essentially nongovernment funds affected the programs?

Two thirds of the organization directors said "yes." The most frequently mentioned effects of government funding on programs were an increase in client use of service, an increase in accountability, and an increase in the base from which clients are drawn.

3. Have the sources of financial support for your organization (government vs. nongovernment) affected policies, programs, and quality of nonprofit organizations?

Half of the organizations and almost all of the individuals responded "yes" to this question. For nonprofit organizations, the most frequently mentioned effects were an increase in control of the program (presumably by government) and an increase in agency funding security.

4. Have you detected any recent shifts in tendencies of individual contributors to make charitable contributions?

Organizations indicated a slight increase in the amount of money received and in the number of contributors. Individuals noted a slight increase in the number of large and small contributors. Both individuals and organizations saw little change in the willingness of individuals to participate on boards and committees or to serve as program volunteers.

5. Has the availability of government funds changed local patterns of contributions?

Both organizations and individuals saw little change in contributions of either money or time as a result of the availability of government funds.

6. Have changing issues, needs, and expectations caused individual contributors to change their patterns of giving?

Three fourths of the individuals and just over half of the organizations said "yes." Individuals reported a slight increase in contributions due to these factors; organizations were less certain than an increase in gifts had occurred.

7. Has the government extended its work into areas of human need as a result of voluntary contributions?

About half of the individuals and half of the organizations said "yes." The areas most frequently mentioned by organizations were mental health, health, child and family services, day care, and environment and conservation. Among those individuals who saw an increase in government activity, there was no consensus as to the areas in which expansion had taken place.

8. Do you feel that individual contributors are meeting their objectives and responsibilities as donors?

Half of the individuals and half of the organizations felt that donors are not meeting their objectives or responsibilities. Respondents mentioned the need for donors to make more informed decisions in their selection of recipient agencies as one way of correcting this situation.

9. Do you make nonfinancial contributions to organizations?

This question was asked only of individuals. All of the respondents said that they do make nonfinancial contributions, with the majority stating that this has resulted in their increasing their financial contributions to the organizations they serve.

10. If Congress were to eliminate the deductibility of charitable contributions, would your donations remain at the present level?

Three fourths of the individuals said "no." About two thirds responded that they would reduce their contributions if this were to happen, with almost a fourth of these predicting a great decrease in their giving.

11. If Congress were to increase the deductibility of charitable contributions, would your donations remain at the present level?

Slightly more than half of the individuals said that their donations would not remain at the present level, with the majority of this group indicating a willingness to increase contributions. Over one third of those responding to this question stated that there would be no change (increase or decrease) in their level of contributions.

12. Do you have an adequate number of volunteers?

About half of the organizations answered "yes" and about half answered "no." The lack of volunteers was attributed largely to a shortage of available persons. It is interesting that while 79 percent of the organizations stated that they were able to make use of all of their volunteers, 11 percent were unable to make use of all the volunteers they have available.

13. How many hours per month does the average volunteer work?

Organizations reported that their volunteers worked an average of 2 to 16 hours per month. Environmental organizations had the lowest average volunteer hours per month, while family service and health organizations had the highest.

14. Could you afford to replace your volunteers with paid staff?

All but four organizations indicated that they could not.

15. Would an increase in governmental financing change the function of volunteers?

Fifty-eight percent of the organizations thought that an increase in government funding would not change the function of volunteers, while a sizable minority (28 percent) believed that it would.

Each organization was asked to list volunteer assignments, the average number of persons (by sex) performing the assignment each month, and the average number of hours spent by each person in that assignment. Most of the organizations were able to provide the requested information; however, with such a small sample, generalizations from the data should be made with caution.

In examining the roles volunteers play in organizations, it was found that job assignments fall into five categories: direct service (to consumers of agency service), board members, clerical, fund raising, and consultation. Most of the reporting organizations use volunteers in direct-service activities and as board members. A small number of organizations use clerical volunteers. Health, family service, recreation, and public affairs were the only categories of organizations reporting the use of volunteers in fund raising, with the four health organizations using a large number of this type of volunteer. Health, family service, cultural, and public affairs were the only categories reporting the use of volunteers for consultation, with one health organization reporting a large number of volunteers performing this function. (See Table 2.)

In general, there seem to be more female volunteers, although the difference between the number of male and female volunteers is not as great as might be expected. In the area of direct service, the number of male volunteers exceeds the number of female volunteers in family service, day care and recreation organizations. The total number of volunteers used per month is quite high, and many of the tasks performed would cost well over the minimum wage if paid staff were to replace volunteers. Thus it appears that the dollar amount of this type of in-kind donation is quite sizable in this community.

Table 2

Total Reported Number of Volunteers per Month by Category

	Direct Service	Board Members	Clerical	Fund Raising	Consul-tation	Total Org.
Health	4,592 (10)	649 (10)	1,092 (5)	45,672 (4)	1,000 (1)	11
Mental health	48 (2)	51 (2)	1 (1)	--	--	2
Hospitals	133 (2)	85 (2)	30 (1)	--	--	2
Nursing home	115 (3)	49 (3)	4 (1)	--	--	3
Child welfare	43 (2)	10 (1)	--	--	--	2
Family service	371 (8)	1,109 (8)	34 (5)	210 (4)	13 (3)	10
Day care	23 (4)	77 (4)	52 (2)	--	--	5
Religious	37 (1)	--	--	--	--	11
Educational	150 (3)	17 (2)	3 (1)	--	--	4
Cultural	--	69 (3)	7 (2)	--	2 (1)	3
Recreation	9,904 (6)	2,446 (7)	--	225 (1)	--	8
Environment	--	--	--	--	--	2
Public affairs	1,483 (6)	404 (7)	3,007 (3)	50 (1)	10 (2)	9
Total	16,799 (47)	4,916 (49)	4,210 (21)	46,457 (10)	1,025 (7)	72

( ) indicates number of organizations reporting volunteers in category.

II

FINANCIAL DATA

Each organization was asked to prepare financial information to be given to the interviewer at the time of the interview. Forty-eight organizations provided data, although very few completed the form. (As noted earlier, we found that many organizations do not keep records in a way that they can easily retrieve such information.) Because of the small size of the sample and incomplete reporting, generalizations from the data can be misleading. Table 3 summarizes the number of responses received from organizations, by category of response and organizational type. The table indicates the sparseness of the data received. The area in which the largest number of organizations (33) reported receiving funds was individual donations. These apparently represent a large number of small gifts, as only three organizations reported receiving single donations in excess of $5,000.

Tables 4, 5, and 6 summarize the financial data. Table 4 shows the total annual income reported by organizations, by source of funds, and Table 5 presents the mean total annual income reported. Table 6 shows amount and percent of income reported from public sources, private sources, and fees, by organizational type. (Caution should be taken in generalizing from the data presented in these tables.)

There appears to be an overall increase in income from all sources, both public and private, during the five-year period, 1969-1973. This is in keeping with the feelings expressed in the interviews in which organization directors indicated a slight increase in both the number of contributors and the amount of contributions.

Table 3

Number of Responses Received from Organizations Regarding Financial Data by Category and Organization Type

Organizational Type	No. of Orgs.	Gave Any Data	Fed.	State	Cnty	City	Phil. Found.	Corp	Indiv.	Se-cur-ities	Be-quests & Legacies	Recv'd Dec.	Large Gifts	Small Gifts	United Way	Fees	Other
Health	11	91% (10)	5	4	1	1	4	5	5	2	3	2	1	4	2	2	2
Mental health	2	100% (2)	1	--	2	--	--	1	1	1	--	--	1	1	1	1	--
Hospitals	2	100% (2)	1	1	--	--	--	--	1	--	--	--	--	--	--	--	--
Nursing homes	3	33% (1)	--	--	--	--	--	1	1	--	--	--	--	--	--	--	--
Child welfare	2	100% (2)	2	1	--	--	--	--	--	--	--	--	--	--	--	--	1
Family service	10	80% (8)	--	1	4	1	3	3	7	1	2	1	--	2	4	3	2
Day care	5	20% (1)	1	--	--	--	--	--	1	--	--	--	--	--	1	1	--
Religious	11	45% (5)	--	--	--	--	--	--	5	--	--	--	--	--	--	--	--
Educational	4	75% (3)	--	--	--	--	1	1	1	--	1	1	--	--	--	2	--
Cultural	3	100% (3)	1	1	--	1	--	1	2	--	--	--	1	1	--	--	--
Recreation	8	88% (7)	1	1	1	1	--	1	6	--	--	1	--	2	5	1	3
Environment	2	0% (0)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Public affairs	9	44% (4)	1	--	--	--	--	--	3	--	--	--	--	1	1	1	--
Total	72	66% (48)	13	9	8	4	8	13	33	4	6	5	3	11	14	11	8

Table 4

Total Annual Funds Reported by Organizations, by Source of Funds (1969-1973)

	1969	1970	1971	1972	1973
Public Funds:					
Federal funds	$ 819,592 (6)	$1,318,526 (7)	$1,309,051 (8)	$1,724,877 (10)	$2,054,848 (13)
State funds	411,918 (5)	625,197 (5)	549,866 (6)	530,527 (5)	605,824 (6)
County funds	823,132 (6)	907,565 (6)	1,068,244 (7)	1,255,390 (8)	1,326,752 (7)
City funds	110,000 (2)	160,141 (3)	262,635 (3)	410,056 (4)	459,268 (4)
Fees for Services and Sale of Products:	260,928 (7)	227,704 (5)	217,237 (8)	279,369 (9)	582,537 (12)
Private Sources:					
Foundations	319,832 (4)	565,853 (5)	575,986 (5)	773,385 (6)	1,056,359 (8)
Corporations	497,127 (9)	338,036 (11)	501,988 (10)	609,232 (11)	749,589 (12)
Individuals	1,631,959 (22)	2,150,009 (25)	2,296,006 (29)	3,542,368 (29)	2,624,849 (32)
Appreciated securities	47,165 (3)	43,626 (4)	48,657 (4)	56,146 (4)	55,678 (3)
Bequests & legacies	203,341 (5)	423,408 (6)	254,259 (4)	443,679 (5)	293,706 (6)
United Way	1,286,047 (10)	1,357,101 (13)	1,571,977 (13)	1,569,446 (14)	1,604,032 (14)
Other	200,764 (5)	609,850 (7)	647,751 (7)	728,465 (7)	671,911 (7)
Philanthropic Breakdown:					
All Gifts Received in December	50,397 (2)	283,720 (4)	407,402 (4)	220,124 (4)	192,170 (4)
Income from Large ($5,000 or more) donors	23,000 (2)	22,150 (2)	33,875 (3)	21,600 (2)	30,907 (2)
Income from Small ($100 or less) donors	600,066 (9)	721,565 (8)	854,675 (8)	945,523 (10)	846,639 (11)

( ) Number of organizations reporting in category.

Table 5

Mean Total Annual Funds Reported by Organizations, by Source of Funds (1969-1973)

	1969	1970	1971	1972	1973
Public Funds:					
Federal Funds	136,599 (6)	188,361 (7)	163,631 (8)	172,488 (10)	156,065 (23)
State Funds	82,384 (5)	125,039 (5)	91,644 (6)	106,105 (5)	100,971 (8)
County Funds	137,189 (6)	151,264 (6)	152,606 (7)	156,924 (8)	189,536 (7)
City Funds	55,000 (2)	53,380 (3)	67,545 (3)	102,514 (4)	114,817 (4)
Fees for Services and Sale of Products:	37,275 (7)	455,403 (5)	27,155 (8)	31,041 (9)	48,545 (12)
Private Sources:					
Foundations	54,958 (4)	113,171 (5)	115,017 (5)	126,898 (6)	132,065 (8)
Corporations	55,236 (9)	30,731 (11)	50,199 (10)	55,385 (11)	62,466 (12)
Individuals	74,179 (22)	86,000 (25)	79,173 (29)	122,151 (29)	82,026 (32)
Appreciated Securities	15,722 (3)	10,906 (4)	12,164 (4)	14,037 (4)	18,559 (3)
Bequests & Legacies	40,668 (5)	7,057 (5)	63,565 (4)	86,739 (5)	46,951 (6)
United Way	128,604 (10)	104,392 (13)	120,921 (13)	112,103 (14)	114,574 (14)
Other	40,153 (5)	87,123 (7)	92,536 (7)	104,066 (7)	95,987 (7)
Philanthropic Breakdown:					
All Gifts Received in December	25,199 (2)	70,930 (4)	101,851 (4)	55,031 (4)	48,043 (4)
Income from Large ($5,000 or more) donors	11,500 (2)	11,075 (2)	7,956 (3)	10,800 (2)	15,454 (2)
Income from Small ($100 or less) donors	66,674 (9)	90,198 (8)	106,834 (8)	94,552 (10)	76,967 (11)

( ) Number of organizations reporting in category.

Table 6

Amount and Percent of Reported Organization Income, by Source and Category of Organization (1969-1973)

	1969		1970		1971		1972		1973	
	$	%	$	%	$	%	$	%	$	%
Health										
Public	1,063,450	49	1,722,806	56	1,416,541	49	1,920,468	54	2,264,633	58
Private	996,761	46	1,230,194	40	1,402,654	48	1,529,380	43	1,535,862	39
Fees	92,418	4	100,471	3	80,106	3	114,850	3	118,460	3
Mental Health										
Public	317,985	57	448,506	65	468,963	65	516,922	64	541,005	65
Private	195,840	35	162,543	24	176,400	24	203,695	25	181,344	22
Fees	39,741	7	76,965	11	79,865	11	93,368	11	107,780	13
Hospitals										
Public	62,014	100	73,343	95	124,523	97	139,506	97	161,863	97
Private	--	--	3,961	5	4,237	3	4,599	3	4,873	3
Fees	--	--	--	--	--	--	--	--	--	--
Nursing Homes										
Public	--	--	--	--	--	--	--	--	--	--
Private	111,953	100	117,573	100	123,868	100	151,134	100	155,029	100
Fees	--	--	--	--	--	--	--	--	--	--
Child Welfare										
Public	14,416	150	12,000	100	150,000	100	100,000	100	126,225	90
Private	--	--	--	--	--	--	--	--	13,600	10
Fees	--	--	--	--	--	--	--	--	--	--
Family Service										
Public	742,267	56	486,270	28	639,316	35	803,447	37	767,064	38
Private	597,131	45	1,222,646	72	1,197,234	65	1,337,254	62	1,243,072	61
Fees	--	--	--	--	11,530	1	12,931	1	12,141	1
Day Care										
Public	9,510	8	28,525	21	63,453	39	129,242	54	241,154	70
Private	88,518	72	82,047	61	78,574	49	78,569	33	54,313	16
Fees	25,519	21	24,268	18	19,436	12	30,570	13	48,284	14

Table 6 (Continued)

	1969		1970		1971		1972		1973	
	$	%	$	%	$	%	$	%	$	%
Religious										
Public	--	--	--	--	--	--	--	--	--	--
Private	324,755	100	348,078	100	481,965	100	543,500	100	562,686	100
Fees	--	--	--	--	--	--	--	--	--	--
Educational										
Public	--	--	--	--	--	--	--	--	--	--
Private	1,145,056	100	1,786,489	100	1,622,423	100	2,497,279	100	2,268,190	93
Fees	--	--	--	--	--	--	--	--	182,072	7
Cultural										
Public	60,000	42	65,000	41	77,000	44	75,000	43	86,200	41
Private	83,310	58	92,085	59	96,220	56	99,560	57	124,800	59
Fees	--	--	--	--	--	--	--	--	--	--
Recreation										
Public	165,000	23	175,000	22	190,000	21	210,000	16	220,000	22
Private	531,666	74	614,802	75	692,919	76	1,104,816	82	756,042	75
Fees	23,500	3	26,000	3	26,000	3	27,650	2	27,000	3
Public Affairs										
Public	--	--	--	--	--	--	26,263	75	36,697	20
Private	9,245	10	7,473	100	18,284	100	8,654	25	55,394	31
Fees	79,650	90	--	--	--	--	--	--	86,800	49

Corporations and Foundations

The financial information obtained from the organizations does not provide a comprehensive picture of private philanthropy in Des Moines. An attempt was made to explore this area in another way. The largest foundations and corporations were asked to provide information as to the amount and recipients of their philanthropic donations for the years 1969 through 1973. United Way allocations were examined for this same five-year period, and a closer look was taken at the funding patterns of five of the largest recipients of private money in order to get some idea as to the trends in private giving over the period.

Des Moines has no one philanthropic organization that is predominant in the support of private nonprofit agencies; nor do the wealthy make up a cohesive group that tends to collaborate on philanthropic giving. Giving seems to be an individual matter, reflecting the interests of the individual and the organizations requesting money during any given time period. Thus, private support of human service organizations comes from a variety of corporate and individual philanthropic sources.

Since Iowa has no tax law requiring specific record keeping as to philanthropic giving or receiving, there was no central data source from which information could be drawn to establish giving patterns. The corporations and foundations providing information did so voluntarily at the request of the United Way staff involved in this project. In many cases preparing the information involved considerable time and effort on the part of the individual responsible for corporate and foundation giving.

The 5 largest foundations and 10 of the largest corporations were asked to provide information on the amount and recipients of donations in the Des Moines area. Of this group, five corporations (Central Life Assurance Company, Employers Mutual Casualty Company, Equitable of Iowa, Northwestern Bell Telephone Company, Younker Brothers' Department Store) and two foundations (Dial Foundation, Hubbell Trust) submitted data. Most of those who declined to participate gave as their reason the amount of time involved in preparing the information. Two corporations declined because they considered the information requested to be confidential.

Data were received in various forms. It was impossible to insure that the categories listed by the respondents contained the same organizations (that is, one respondent might categorize an agency as a health organization while another might categorize it as a family service organization). Some respondents listed all organizations by name with the amounts donated, others listed categories of organizations with amounts donated, and one listed percents of total donations by category of recipient organizations. Although the information was requested for contributions in the Des Moines area only, several respondents listed contributions for the State of Iowa. Unless each recipient organization was listed separately, the totals could not be adjusted. Thus in two cases, the information used for comparison purposes reflects contributions outside the Des Moines area.

To arrive at some consistent method of comparing this information, the categories of human services organizations used throughout the study were collapsed into three major categories: health and welfare, education, and cultural. The percent of the total annual contributions per category is used for comparative purposes.

Tables 7-11 show the percent of total yearly contributions by category for each corporation and foundation responding, for the years 1969 to 1973. Table 12 provides the mean percent of contributions by category and year. The category of health and welfare received the largest amount of private donations. There has been an overall decline in the percent of the total yearly contributions going to this area, from an average of 73.3 percent in 1969 to 61.1 percent in 1973. This decline may in part reflect the greater availability of federal funds to this type of human service organization.

Table 7

Percent of Contributions of Corporations and Foundations by Category, 1969

	Health & Welfare	Education	Cultural	Other
Corporation I	80.8%	--	19.2%	--
Corporation II	79.1	20.9%	N/A	--
Corporation III	67.5	31.7	1.1	--
Corporation IV	63.8	28.2	8.0	--
Corporation V	66.2	29.4	4.4	--
Foundation I	73.6	3.8	3.8	18.8%
Foundation II	68.4	28.9	2.7	--

Table 8

Percent of Contributions of Corporations and Foundations by Category, 1970

	Health & Welfare	Education	Cultural
Corporation I	43.4%	52.6%	4.0%
Corporation II	78.3	21.8	N/A
Corporation III	64.6	34.0	1.5
Corporation IV	43.1	48.9	8.0
Corporation V	61.9	30.2	8.0
Foundation I	74.0	20.8	5.2
Foundation II	88.3	1.1	10.6

Table 9

Percent of Contributions of Corporations and Foundations by Category, 1971

	Health & Welfare	Education	Cultural
Corporation I	76.7%	12.2%	11.1%
Corporation II	67.0	33.0	N/A
Corporation III	52.9	34.8	12.3
Corporation IV	50.1	47.2	2.7
Corporation V	83.0	8.8	8.3
Foundation I	75.5	15.3	9.2
Foundation II	71.3	23.6	5.1

Table 10

Percent of Contributions of Corporations and Foundations by Category, 1972

	Health & Welfare	Education	Cultural
Corporation I	51.3%	46.9%	1.8%
Corporation II	63.7	36.3	N/A
Corporation III	63.5	34.0	2.5
Corporation IV	53.9	43.4	2.6
Corporation V	49.8	48.7	1.6
Foundation I	63.3	27.5	9.2
Foundation II	77.9	20.4	1.7

Table 11

Percent of Contributions of Corporations and Foundations by Category, 1973

	Health & Welfare	Education	Cultural
Corporation I	62.3%	30.6%	7.1%
Corporation II	60.7	39.3	N/A
Corporation III	63.9	33.4	2.7
Corporation IV	52.9	44.0	3.2
Corporation V	64.3	34.6	1.0
Foundation I	40.5	59.5	--
Foundation II	87.6	12.0	0.4

Table 12

Mean Percent of Contributions of Corporations and Foundations by Category and Year

	Health & Welfare	Education	Cultural
1969	71.3%	23.8%	6.5%
1970	54.7	25.6	6.2
1971	68.1	25.0	8.1
1972	60.5	36.7	3.2
1973	61.7	36.2	2.9

The category of education, which receives a sizable proportion of the private donations, has had an increase in the proportion of funds received over the five-year period, from an average of 23.8 percent of total donations in 1969 to an average of 36.2 percent in 1973. (There is a noticeable increase from 1971 to 1972, an average of 25.0 percent to 36.7 percent. This may be a reflection of the decrease in 1970-1971 in federal support for both classroom education and research, which forced educational institutions to look elsewhere for financial support.)

Apparently, only a small proportion of total donations goes to cultural institutions, and this support appears to have decreased over the five-year period. In 1969 an average of 6.5 percent of the total contributions went to support cultural institutions, but in 1973 this average had dropped to 2.9 percent.

United Way

An examination of the budget of the United Way of Greater Des Moines for the years 1969 to 1973 shows a steady increase in total funds available annually, from $2,540,461 to $2,954,852. The proportion of the United Way budget given to various areas of service remained fairly constant during the period, meaning that although an agency may have received a dollar increase in allocations, the agency's proportion of the total United Way budget remained about the same.

Table 13 shows the amount and percent of the United Way budget allocated during the years 1969 to 1973 by category. The categories of health and recreation each received about 25 percent of the United Way budget, with family service agencies receiving about 20 percent. These are the major targets of United Way dollars, with the majority of United Way agencies falling into these categories. The

Table 13

United Way Allocations by Category (1969-1973)

	1969		1970		1971		1972		1973	
	$	%	$	%	$	%	$	%	$	%
United Way Agencies										
Health	638,316	25.22	694,767	25.09	691,517	24.18	726,320	24.71	749,609	25.37
Mental health	28,200	1.11	28,203	1.02	28,208	.99	28,291	.96	32,730	1.11
Nursing homes	36,968	1.46	28,646	1.03	28,244	.99	28,244	.96	35,730	1.21
Child welfare	113,722	4.48	127,207	4.59	135,323	4.73	13[illegible],323	4.60	135,323	4.58
Family service	499,080	19.65	537,315	19.41	552,569	19.32	573,[illegible]	19.51	562,664	19.04
Day care	88,339	3.48	85,190	3.08	85,546	2.99	88,888	3.02	90,489	3.06
Recreation	638,624	25.14	741,930	26.80	784,245	27.42	795,133	27.05	815,000	27.58
Public affairs	48,740	1.92	44,077	1.59	40,263	1.41	41,268	1.40	42,756	1.45
Other	30,053	1.18	58,225	2.10	84,254	2.95	62,848	2.14	49,346	1.67
International	1,198	.05	1,501	.05	4,250	.15	3,827	.13	2,510	.08
United Way Central Services										
Agency operations	42,425	1.67	39,096	1.41	35,337	1.24	35,604	1.21	34,177	1.16
Planning and research	146,082	5.75	101,943	3.68	125,864	4.40	124,305	4.23	118,931	4.02
Campaign expense	106,985	4.21	98,107	3.54	107,217	3.75	120,605	4.11	117,813	3.99
Direct services to agencies	62,510	2.46	110,045	3.97	101,277	3.54	122,174	4.16	116,908	3.96
Direct services to people	59,220	2.33	72,530	2.62	55,867	1.95	53,113	1.81	50,873	1.72
Totals	2,540,461	100.12*	2,768,880	99.99*	2,859,978	100.01*	2,939,808	100.0	2,954,852	100.00

*Rounding error

other areas funded are generally represented by one agency in the category. The amounts and percents of the budget used for the various United Way operations is also given. (United Way operates three programs providing direct service to the public: information and referral, volunteer bureau, and Retired Senior Volunteer Program.)

Five Large Organizations

Five of the largest nonprofit organizations were examined to determine trends in their sources of income for the five-year period. The organizations represent the categories of health, hospitals, social service, culture, and education. None of the five organizations reported income from user fees or fees from sale of products. Only the hospital and cultural organizations reported receiving public money.

Generally, there appears to be little consistency among these organizations as to increase or decrease in private funds from year to year. There has been an overall increase from 1969 to 1973 in the amount of private money given to each organization, with the exception of the hospital which showed a good deal of variation in the amount of private money received and had an overall decrease in private funding. Table 14 shows the percentage increase over the previous year for each of these organizations.

Table 14

Percent of Increase Over the Previous Year of Private Donations to Five Large Human Service Organizations

	1970	1971	1972	1973
Health	19.8%	18.3%	8.3%	-9.1%
Hospital	-28.7	-59.1	94.2	-18.8
Social Service		17.9	15.1	9.0
Cultural	-13.5	33.5	3.5	16.5
Educational	50.8	2.8	55.4	-9.2

These organizations, all of whom received substantial amounts of private money, must depend on a large number of small donors. (Only the hospital reported a large percentage of donations of $5,000 or more.)

PHILANTHROPIC PROFILE OF THE CONNECTICUT CAPITOL REGION

The Community Council of the Capitol Region[†]

I

AGENCY FISCAL SURVEY

Every effort was made to locate all private agencies serving residents of the Capitol Area Planning Region, which comprises 29 towns surrounding and including Hartford. Directories prepared by Info-Line of the Community Council, city and telephone directories, and directories supplied by the Council of Churches, the Catholic Archdiocese, Jewish Federation, United Way, Council on Arts, and State Department of Education were used to identify any organization that might have received philanthropic contributions in the past five years. This search produced a list of 413 separate organizations.

The organizations were categorized by the type of service they perform. This was difficult to do with large, multi-function agencies and with small agencies unknown to the council staff. Every attempt was made to assign the agency to that category in which the larger portion of its resources was expended or, if this was not known, to the category most appropriate to the name of the organization. Ten categories were used: cultural, education, environment, international, health, public affairs, recreation, religious, social services, and other (civic associations).

The questionnaire sought information on the amount and source of agency income for each of the five years studied, 1969-1973. (Questions were asked also about the amount of volunteer time contributed to the agencies and the value of in-kind gifts. Because of the short time given for response, and because the survey took place in summer, many agencies had difficulty in meeting the deadline. Eighty-six of the agencies returned the questionnaire; 79 returns were considered usable. (See Table 1.)

Findings

Table 2 summarizes the income of agencies by source for 1969-1973. The dollar amounts are less significant than the percentage of total income accounted for by the various sources since some agencies reported information for only some of the years. We estimate that the data received represent about 20 percent of the total amount of private dollars expended in the region. Table 3 shows the source of agency income by type of agency.

II

THE AGENCY PERSPECTIVE

To help determine the status of private philanthropy in the Capitol Region, an opinion questionnaire was administered to 36 agency executives in a series of in-person interviews. Interviewees were drawn from agencies in the areas of

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[†] Elizabeth L. Pinner, study director; Ann Lindaver; Robert Melsh.

Table 1

Agency Fiscal Survey
Questionnaire Response

Type of Service	Number Sent	Number Returned	Usable Returns	Percent Used
Cultural	55	9	8	15%
Education	67	7	7	10
Environment	1	0	0	0
International	1	1	1	100
Health	122	21	17	14
Public affairs	6	3	3	50
Recreation	27	10	10	37
Religious	68	10	10	15
Social service	56	24	22	39
Other (civic associations)	10	1	1	10
Total	413	86	79	

Total Usable Return Rate, 20%

education, recreation, cultural/environmental, social services, health, and public affairs services. With one exception, all of the executives selected agreed to be interviewed. Several were unable, for administrative reasons, to provide the statistical data requested.

Respondents were asked to state their opinions about trends in public funding in their field of service and its impact; the role of volunteers in their organization and the relative impact of funding sources on volunteer involvement; the general impact of funding sources on various aspects of agency operation, including policy and program; the responsiveness of community funding sources to public need; and the role of the private sector agency.

Findings

The agency executives discussed the above issues primarily in terms of their own agency. Often, however, they were able to look beyond their own field of service and provide some general observations about the private sector and philanthropy.

There was general agreement among the respondents that there is no consistent communitywide system for establishing priorities for resource allocation. Rather, priorities are set on a fragmented, subjective basis by the various funding sources. Each agency is in turn forced to be responsive to this process. Among the sources of private sector funds, the United Way was recognized as having the most formalized system of allocation and the one most responsive to public need.

Regarding the effects of tax incentives on private giving, almost all of the respondents agreed that these incentives are helpful; several respondents indicated a need for additional incentives. All agreed that the elimination of incentives would be detrimental to those agencies that are heavily dependent on gifts from wealthy donors and corporations, the primary beneficiaries of present tax incentives.

Volunteer interest and input, in terms of contributions of time and money, was considered by most respondents to be greatest where volunteers had a significant impact on agency decision making.

Table 2

Agency Income by Source, 1969-1973

	1969		1970		1971		1972		1973	
	$	%	$	%	$	%	$	%	$	%
Private Sources of Income										
Foundation grants	$ 3,321,710	5	$ 2,424,384	3	$ 2,579,474	3	$ 1,869,026	2	$ 2,529,612	3
Corporate gifts	1,969,544	3	2,039,465	3	2,002,738	2	3,608,196	4	3,299,494	3
Individual gifts	8,870,639	13	7,059,604	10	4,715,176	6	7,256,392	8	5,051,229	5
Federal funds	2,857,552	4	2,998, 150	4	3,212,445	4	3,682,633	4	3,912,336	4
Bequests	1,522,522	2	2,874,997	4	2,660,483	3	2,091,993	2	4,269,917	5
Investment income*	4,455,688	6	3,519,940	4	5,170,007	6	5,468,565	6	7,168,212	7
Other sources	8,807,877	12	10,075,798	14	10,520,576	13	11,525,350	13	13,871,360	14
Public Sources of Income	11,975,527	17	14,174,617	20	16,414,916	20	15,879,012	18	16,835,708	17
Users Fees	26,926,282	38	27,507,088	38	36,067,652	43	37,481,218	42	39,824,486	41
Total	$70,707,343	100	$72,673,993	100	$83,363,589	100	$88,864,385	100	$[illegible]5,762,354	100

*Income from investments is eventually reflective of tax legislation since investment income is usually from donor investments. (In 1973, $22,463,238 or 24% of money received by these agencies was related to contributions tax laws.)

Note: Percentage column for 1973 does not total 100 because of rounding.

Table 3
Source of Agency Income by Type of Agency, 1969-1973*

	1969	1970	1971	1972	1973
	%	%	%	%	%
Cultural					
Private	56	73	75	60	73
Public	6	5	7	10	8
Users fees	38	22	18	30	19
Education					
Private	66	62	51	53	54
Public	4	4	7	6	6
Users fees	30	34	42	40	40
Health					
Private	22	13	16	17	18
Public	17	19	17	17	16
Users fees	61	68	67	66	66
Recreation					
Private	81	79	81	81	84
Public	.3	.3	.2	.5	.5
Users fees	19	21	19	19	16
Religious					
Private	75	77	78	75	77
Public	3	3	2	6	7
Users fees	22	20	20	19	16
Social Services					
Private	61	50	53	58	55
Public	17	23	31	29	30
Users fees	22	27	16	13	15

*Data not reported if only one agency in category.

Trends in Public Funding

Educational institutions showed a slight increase in public funding during the period surveyed. Cultural institutions experienced a considerable increase in public funding during the period as a result of the availability of funds through the National Endowment for the Arts. In both cases, however, funding increases were offset by costs of inflation.

The trend in the flow of public monies to health and social service organizations was mixed, with half of the organizations experiencing decreases in funding and half increases. Among recreation and group-work agencies, some reported that they were receiving more public funds while others reported no change in the level of public funding. The trend among public affairs agencies was a net decrease in public funding.

Only one respondent in the education field noted any significant change in local patterns of philanthropy — a tendency on the part of corporations to provide more funds for programs for the disadvantaged and a demonstrated interest in providing support to sustain private institutions.

Several changes were noted in the pattern of local philanthropy in the cultural area. First, because most corporate giving is now channeled through the Greater

Hartford Arts Council, and thus has become more widely dispersed, individual allocations from corporations to several cultural agencies appear to have decreased. Second, gifts from heirs of major donors have become smaller, thus causing a net decrease in the number and amount of individual donations. What is required, respondents noted, is the establishment of a broader base of givers.

Of those social service agencies that reported decreases in public funding, about half were able to replace the funds with private monies. Those agencies seeking private funds noted that changes in priorities within the United Way and more strict funding requirements were primary obstacles to raising additional funds.

Most of the health agencies that reported decreases in public support were in the mental health field and were able to attract replacement funds from private sources. Respondents in this field pointed to reductions in individual and corporate giving that had occured as a result of inflation.

The Voluntary Role and the Impact of Funding Sources on Volunteer Involvement

The volunteer is a critical element in the operation of nearly all of the agencies surveyed. Volunteers perform a variety of functions, including fund raising, policy making, service delivery, and clerical duties. They are used more frequently by private agencies than by public agencies.

In those private agencies with a predominately private funding base, or a long tradition of association with a private cause, a changeover to public funding would, it was felt, remove the incentive for volunteer participation. Many respondents felt that volunteers in most public agencies are no more than "window dressing," utilized only to satisfy grant requirements and having no significant role in decision making. Among agencies already heavily dependent on public monies, a changeover to exclusively public funding would have little or no impact on volunteer participation. Some agencies, particularly educational institutions, felt that the loyalty of their volunteers would be unaffected by the type of funding source.

Impact of Funding Sources on Agency Operations

A number of agencies noted that many aspects of programming are significantly affected by funding requirements, both public and private. Among those areas mentioned were staffing patterns, monitoring and budgeting procedures, and program scope. (Public funding requirements tended to be more specific and restrictive than private requirements.)

For well-established or single-purpose agencies, the source of funding has little or no impact on policy and very little impact on program content. The more recently established agencies, such as those set up in response to the federal War on Poverty, find themselves making frequent policy adjustments to meet changing government funding requirements. The older agencies with an established support base can afford to be cautious about accepting money with "strings attached."

Responsiveness of Community Funding Sources to Public Need

The inconsistent and fragmented nature of communitywide priority setting has already been noted. One of the most frequently mentioned reasons for this situation is that a small number of decision makers in foundations, corporations, and the United Way set priorities on the basis of their own perceptions of public need.

Some of the respondents noted that the United Way's system of setting priorities is a more rational one than that used by other private funding organizations. (Some respondents questioned whether any type of priority setting process is feasible on a communitywide basis.)

Except for a handful of agencies who are nationally affiliated, single-purpose oriented, or have a limited dependency on local funds, the majority of the respondents indicated that their agencies tend to be responsive to priorities, however they are determined. Some do so for reasons of survival, others feel it is their duty as a part of the community. A small number were adversely affected by changing priorities of funding agencies.

With regard to the responsiveness of private organizations to changing social issues, the general feeling was that private agencies, because of their flexibility, tend to be more responsive than public agencies, especially in dealing with problems of the inner city, the changing role of the family, and the elderly.

Multi-service agencies were regarded as more responsive to public need than single-purpose agencies. Religious and educational agencies were described as being somewhat slower to respond to public needs than organizations in other categories. When asked to evaluate their own responsiveness to social change, virtually all of the agencies professed to have a strong and long-standing record of social consciousness.

The Role of the Private Sector Agency

With the advent of revenue sharing and the "new federalism," the roles of the public sector and private sector are in a state of flux. The federal government, finding that its capacity to undertake and maintain social programs is limited, has begun to shift some of the burden to local governments and the private sector.

Among those functions mentioned as particularly important for the private sector were initiation of innovative programs, assessment of public needs, demonstration of the viability of the private sector, monitoring effectiveness of government programs, increasing citizen participation in the decision-making process, provision of services for specialized clientele, provision of services not available through government programs.

III

FISCAL SURVEY OF PRIVATE FUNDING ORGANIZATIONS

Three types of private funding organizations in the Capitol Region were identified: federated agencies, corporations, and foundations. Organizations selected for the survey were asked to provide information on the amount of money allocated annually from 1969 to 1973 to each of the service categories. Where possible, only local funding was recorded. (The two insurance companies surveyed allocate a significant portion of their contributions to recipients outside the Hartford region, which distorts the overall giving picture. The banks, unlike the insurance companies, directed most of their gifts to agencies and organizations serving residents of the Hartford region; a substantial portion of these monies went to health-related services.) Because so few of the corporations responded to the questionnaire, caution must be used in interpreting these data. (See Table 4.)

The allocations reported by federated funding agencies represent a large proportion of the total federated funds spent in the region. Some federated money is allocated to national affiliates for services delivered locally and for national

Table 4

Total Corporation Gifts, 1971-1973
(four companies*)

	1971		1972		1973	
Total Allocations	$2,482,650		$3,640,387		$3,975,992	
	Amount	%	Amount	%	Amount	%
Education	583,483	23	477,963	13	761,918	19
Social services	443,349	18	442,165	12	565,343	14
Health***	1,239,988	50	1,121,635	30	1,684,868	42
Cultural	19,850	1	1,000,000	29	109,269	3
Religious	--	--	--	--	--	--
Recreation	146,566	6	281,249	7	377,266	10
Environmental	1,500	**	1,500	**	1,500	**
Civic affairs	37,400	2	338,085	9	471,924	12
Other funding	10,514	**	7,790	**	3,904	**

*Travelers Corporation (total corporate gifts nationwide, 1971-1973); Connecticut Bank and Trust (total corporate gifts, 1971-1973); Society for Savings (total corporate gifts, 1971-1973); Aetna Life and Casualty Company (total corporate gifts, breakdown by Hartford region and rest of nation, 1971-1973).

**Less than 1 percent.

***Aetna Life and Casualty Company reported both health and welfare contributions in the health category.

consulting services at the local level. Local health agencies reallocate grants from the Combined Health Appeal to national research agencies located outside the region. (See Table 5.)

The foundation giving figures (See Table 6) reflect the contributions of the Hartford Foundation for Public Giving, which makes substantially larger allocations than any of the other foundations surveyed.

In 1973 foundations allocated the largest portion of their funds to social services, followed by health and cultural programs. Federated funds spent the largest portion of their funds on health and social services. Almost half of the total corporate gifts reported went to health, with the next largest percentage going to education. (The total amount of corporate gifts to health programs is inflated because of Aetna's inclusion in the health category of gifts to social services.)

In the five-year period, foundations increased the percentage of total allocations going to social service programs and cultural programs while cutting back on gifts to health and educational institutions. The data on corporate giving are less reliable and cover a shorter time period (1971-1973), but it appears that the general trend is towards a reduction in health and education funding and an increase in funding of civic affairs programs. The pattern of giving for federated funding organizations has remained fairly consistent over the five-year period.

IV

THE FUNDERS' PERSPECTIVE

Among the questions asked of staff and volunteers of the private funding organizations were (1) What is the effect of tax laws on philanthropic contribu-

Table 5

Total Federated Fund Allocations to Capitol Region Services, 1969-1973
(four federated funds*)

	1969		1970		1971		1972		1973	
Total Grants	$4,147,9[illegible]		$4,498,031		$4,998,496		$4,648,395		$5,643,989	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Education	128,406	3	208,727	5	288,750	6	266,326	6	449,334	8
Social services	1,517,230	37	1,603,988	36	1,667,839	33	1,714,677	37	1,872,097	33
Health	1,327,810	32	1,434,479	32	1,706,181	34	1,345,868	30	1,912,907	34
Cultural	—	—	—	—	—	—	9,000	**	11,145	**
Religious	52,647	1	66,307	1	84,401	2	89,969	[illegible]	96,040	2
Recreation	993,221	24	1,050,777	23	1,109,364	22	1,079,175	23	1,150,563	20
Environmental	—	—	—	—	—	—	—	—	—	—
Civic affairs	—	—	—	—	—	—	—	—	—	—
Other funding	128,642	3	133,753	3	141,963	3	143,380	3	151,903	3

*United Way, Combined Health Appeal, Jewish Federation, and Archdiocese of Hartford.
**Less than 1 percent.

Table 6

Total Foundation Allocations, 1969-1973
(seven foundations*)

	1969		1970		1971		1972		1973	
Total Allocations	$1,302,220		$1,415,112		$1,576,018		$1,770,076		$1,921,564	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Education	223,002	17	255,202	18	185,740	12.0	180,105	10	276,203	14
Social services	307,271	24	377,390	27	626,177	39.7	631,677	36	652,158	34
Health	336,914	25.3	354,271	25	363,501	22.7	349,420	20	330,831	17
Cultural	130,527	10	72,409	5	218,054	13.8	180,561	10	341,533	18
Religious	21,300	2	56,632	4	18,288	1.0	14,525	1	9,025	.5
Recreation	154,928	12	163,270	12	138,376	9.0	337,700	19	210,244	11
Environmental	--	--	--	--	1,000	**	--	--	2,200	.2
Civic affairs	9,585	.7	11,905	1	4,300	.3	--	--	--	--
Other funding	118,693	9	124,033	8	20,582	1.5	76,178	4	99,365	5.3

*Knox Foundation, George Ensworth Foundation, Charles Nelson Robinson Fund, George A. & Grace L. Long Foundation, Maurice Greenberg Family Foundation, Swindell Charitable Foundation Trust, and Hartford Foundation for Public Giving.

**Less than 1 percent.

tions? (2) Are there special things only philanthropic money can do? (3) What is the effect of community priorities on private dollar allocations?

The Effect of Tax Laws on Philanthropic Contributions

All respondents, except those associated with corporate social responsibility offices, stated that the elimination of tax incentives would so severely reduce contributions that private service delivery would be all but eliminated. One respondent concluded that the private educational system would suffer the greatest damage over the long term because of its relatively heavy dependence on bequests and endowment funds. Another thought that organizations with large capital budgets would suffer the most if there were no tax incentives for philanthropic giving.

The Role of Philanthropic Money

The ability to be innovative and respond quickly to social needs was frequently mentioned as a characteristic of privately funded agencies. Not all private programs are flexible, but they have greater potential for flexibility because policy makers are more readily accessible to the target community and are better equipped to respond to local priorities. The monitoring of public programs and the ability to fund programs that have not yet gained public support or recognition, but nevertheless have important implications for our society, were also listed as appropriate functions of private philanthropy. Some private funding agencies, it was noted, are equipped to provide management and technical assistance to private service agencies in developing program proposals and implementing programs.

Philanthropic Giving and Public Priorities

All respondents felt that philanthropic giving was, at least in some ways, responsive to public priorities and that it should be. Most of those interviewed also thought that the community priorities should be considered guides, not mandates, to allow for program flexibility and the input of minority views. When respondents were asked about the process of defining public needs, many noted that this was done on the basis of knowledge and expertise of board members, allocation committee members, and agency staff, most of whom live in and are committed to the region served.

THE ANATOMY OF GIVING

FIVE AMERICAN CITIES

A PREFACE

This series of reports on giving in five American cities – Atlanta, Cleveland, Des Moines, Hartford, and San Francisco – was prepared under the direction of Bice Clemow, writer and newspaper editor, West Hartford, Connecticut.

The reports are published as originally submitted to the Commission.

In the minds of some Americans, philanthropy is the amount by which the more fortunate discount democracy and substitute their personal priorities in social action. To many more Americans, philanthropy is the frosting on the cake of caring, the ethos of humanness. But to most Americans, philanthropy is a benign mystery decked out with a red feather.

The truth nestles somewhere amidst all these views, and is elusive. The facts about given money are essentially positive, but occur in a culture where what surfaces to public view is mostly things gone wrong. Put simply by William Osterhaus, boss of San Francisco's so-far happily supported public television station, KQED, "Philanthropy is not news."

From such politically vulnerable obscurity, philanthropy is apt to be rescued only by dramatic telling of its high romance and full disclosure of its shortcomings and challenges. Giving of both time and money suffers most from not being talked about. It is obscure and collectively unheralded precisely because it is everywhere and takes a thousand shapes.

Contrasted with the half trillion tax dollars collected annually from corporations and private citizens by governments local, state, and national, the dollars freely given by those same corporations and citizens in support of nonprofit undertakings are a healthy 5 percent splash in the bucket. Yet in the absence of any single voice for the millions of acts of charitable giving, there is but a vague public awareness of how much less varied and innovative the response to the social needs of individual Americans would be were it not for philanthropy.

Editor Reg Murphy of the Atlanta *Constitution* wonders whether that awareness really is the media's job. Although that is also not an assignment undertaken by the Commission on Private Philanthropy and Public Needs, a side effect of its two-year activities can be a heightened public consciousness of the shape, size and complexity of philanthropy. If such an outcome is achieved, it will help make philanthropy "news" on every local scene and put into perspective the shoals that may lie ahead.

Not only is philanthropy but dimly seen from without, in its myriad manifestations, it is largely a stranger to itself. That is true not only within individual communities, but between them. To some extent – through their national clearing houses – the corporations, community "chests" and local foundations share their giving wiles and woes. But the linkage between these philanthropic components is tenuous even on home turf, almost nonexistent between the great regions of America.

To scratch the surface of this void, the Commission has inventoried the intricate structure of philanthropy in five representative cities – Atlanta, Cleveland, Des Moines, Hartford, and San Francisco.

Absent from this colorful spectrum are the metropolitan suburbs to which much of the political muscle of America has shifted. These suburbs are typically the home of the private and corporate wealth for want of which the problem-ridden cities suffer so.

Just as political geography too frequently denies the public financial resources of the suburbs to the unmet social needs of the inner cities, so does it diminish the response of the smaller charitable contributors who "give at the office."

New social problems of the young, of the old, of the alienated families, which arise out of suburban living constitute a more sophisticated challenge often neglected by the traditional philanthropic patterns. That tradition is perhaps implicit in the selection of the "Five Cities." But in the larger sense, little is importantly unique in the anatomy of American giving. The suburbs are simply at a different point in history and provide no permanent hiding place from the imperatives of private philanthropy.

What follows in these pages is a companion piece to the instructive "hard" data of the earlier inventories done for the Commission. These five papers examine in subjectively varied ways, the anatomy of giving in the five widely separated cities. The narratives cannot be read as a comparative study. Rather they are the perceptions of assorted people who sit at the switches of philanthropy in those cities, perceptions gathered and weighed by five writers experienced in the reading of community moods, in taking institutional temperatures, in synthesizing empathies and antagonisms, in putting people's hearts on paper.

The results, often frankly opinionated, do not parade as social research. They can lay no claim to comprehensiveness and most plead guilty to reportorial subjectivity. They suffer the distortions of unfamiliarity with the local scenes, but by the same circumstance escape the bias of familiarity. They are, in short, each a writer's view, based on more than two dozen key interviews compressed into a week's stay in each local environment, exposed to its media and bathed in its realities. These accounts speak to feelings which, deeply held, become operative "facts."

While the writers' emphases within these five "stories" differ significantly, in sum they say the ways each city might be different if giving went away. Without design, Atlanta Mayor Maynard Jackson responds to that question for all five cities. "Radically," he snapped. The five accounts illuminate in necessarily limited ways, how radically, and why radically.

Not unexpectedly, philanthropy in each of these busy cities takes some of its character from the water each drinks, the air each breathes, the work each does, the history each cherishes. And cherish they do. Cleveland's United Way may be outstanding because the idea of a "community" chest was born there long ago. Atlanta's less impressive per capita giving to its collective collection mirrors a history of income deprivation. San Francisco's great pioneering fortunes, even in the hands of heirs and managers, still pioneer in charity and the tradition enfolds a new crop of Young Turks of philanthropy whose inherited wealth burns holes in their conscience. The airs of Lady Bountiful linger over Hartford's generosity and in Des Moines the pop of corn echoes in the arguments over who gives what and why.

These distinctive flavors give local philanthropy its reflected taste, much as the haberdashery tells what airport you're in. Beyond that, the accidents of eccentric wealth draw some of the distinctive profiles of local giving. The late recognition-hungry theatre magnate, A. H. Blank, for instance, left his stamp on a Des Moines hospital, a zoo, a Girl Scout Camp, and a golf course. In spite of local color, philanthropy is everywhere responsive in ways both good and bad to swings of the economy as well as to shifts in national social values. Everywhere the impact of both unemployment and inflation has been to tighten up "free" money, particularly the big money, at the very time more of it is needed. If there is an exception among these five cities, it is Des Moines where the gold of last year's good cash crop still glitters.

With harder times has come a harder look at the purposes and the priorities of philanthropy in cities like Hartford, San Francisco, Atlanta, Cleveland. Accountability has a new respectability. Instant belt-tightening comes as corporations look in their leaner tills and the foundations raise their eyebrows at sagging securities.

Slower, but just as surely, tougher judgments must be made about the use of the modestly measured money dropped on the "united way" plates. Still, the status quo is the most powerful force in the local allocation of social agency funds, and in all of the five cities visited the new, the different, the controversial smaller agencies whisper or shout their doubts whether the philanthropic establishment – one prevails in every city – can really open its eyes to new needs or pry open people's pocketbooks sufficiently to meet them, to share the decision making and the power which financial success confers. That everywhere establishment – mostly white, mostly male, mostly upper-middle class – was attacked from a different quarter in Des Moines by the Women's Political Caucus whose percentage membership in Iowa is the highest in the country, and by the militant National Organization of Women chapter. They blasted the United Way because so few women were involved in the decision making. "That's the first time I had thought about it," says Paul Rhodes of the CBS outlet in Des Moines. "And we played it hard on our news broadcasts."

The incredibly complex philanthropic apparatus operates as effectively as it does in these cities because the money is matched and exceeded by volunteer power. In every one of the five places, a solid phalanx of women and men, more expert than in less organized days, more volatile and militant, seeks involvement and identity in giving time regularly, from trustee to caseworker. And there is little supportable evidence that this energy has been diminished by local arguments over gender roles in voluntarism.

Whether all the reappraisals of private social action goals in the five cities – Atlanta went through a considerable exercise for that purpose, and painfully slow self-reassessment is continuous in the other cities – will turn up new routes for charity and really jog the entrenched mediocrity of much of the philanthropic agency management is in the murky future. An early robin of change is flitting around Atlanta, where the Black mayor talks tantalizingly about a "People's Trust" created from monthly pledge-payments by people "out there" in the grass roots. The genius of his idea is to put the priority decision making back in the mouths of common folk, an egalitarian concept which the mayor's detractors say will just drift toward a new elitism of political power. In San Francisco the Vanguard Foundation of rich young scions vows to encourage more daring in the way philanthropy welcomes self-styled agents of change. But on the national platter, philanthropy is in the old groove.

Jack Clifford, head of WXIA-TV in Atlanta, a new boy in town, is carving himself out a listener niche by "looking for the silver lining," particularly inside the cultural cloak of the city. His tune of a heavy beat on the visual and performing arts is much in harmony with a trend toward more visible support of culture in all five cities. This is not necessarily at the expense of the other major targets of philanthropy – health and education – since facilities, rather than the sustenance of operations, have been the darling of private giving during the last quarter centry, as long before.

This historic preference of philanthropic dollars for bricks and mortar, complete with the bronze plaque, has put the squeeze on many nonprofit enterprises in the cities visited.

From the curbs of crumbling cities, the less endowed look up at the skyline of local philanthropy and see a memorial to money, congealed in concrete, by which the heirs, legal and spiritual, impose the value system of the men who made that money.

More and more educational, health, and cultural institutions are discovering themselves plant-poor. Buildings so long and cheerfully solicited can become albatrosses, expensive to keep up and calling for larger and richer programs than user fees can cheerfully support. For some the alternative is to fold up or seek public shelter. In Hartford a firm response to this dilemma came from a small but socially conscious insurance company: its directors voted to help fund absolutely no new eleemosynary facilities, and to give, as the company prudently can, only to help meet operational deficits. This is a policy more typical of United Ways and national foundations, but Commission reporters heard this as shifting of gears in corporate giving.

Nearly half of the dollars contributed in this country go to churches, and nearly one quarter of that is spent for nonsacramental good works. The heaviest investment is in churchly educational enterprises, accountable generally to the denominations of their particular sponsors. If all of philanthropy is largely unsung in print and over the airwaves, church charity is even more of a family affair. As the Commission reporters roamed the five representative cities in this informal study, neither the collection nor spending of funds for all church-associated purposes emerged as a major community concern. Since it is disassociated from governmental involvement, as well as from accountability to the public at large, vast as is the philanthropy of the churches, it goes quietly about its own way. For a time in the sixties, the churches themselves began the reevaluation of their energies to mesh with the dollars more difficult to come by. Although many churches in many cities have had the pleasure of a collection comeback in the mid-seventies, there has been no general religious return to the front lines of social action. That circumstance is reflected in the silence on the subject among the more than 150 leaders interviewed in this exercise.

The involvement of local government, however, threads through the five-city account as both problem and hope. In Des Moines, where government and business are largely indistinguishable, there's no real squabble about getting together to save downtown. Cleveland's politicians came more latterly to the reality of seeking private gifts to pave the way for aesthetic renewal, and in Hartford a private bequest of millions is frankly aimed at environmental cosmetics. In both Atlanta and San Francisco private dollars created public parks, or largely so, given the cooperation of government which would have had difficulty bonding such niceties. There is yet little evidence that the same cooperation will soon be common in civic social engineering. Many cities were watching quizzically and optimistically as the Greater Hartford Chamber of Commerce led the prospering business community into a widespread social and development experiment known as "The Hartford Process" to distinguish it from the political process. Though the political community gave its headline endorsement, the city did not come to the rescue when "The Process" dream ran into the reality of galloping economic deterioration and a population in which the minorities had become a majority, with high unemployment and low family income. Still, leaders on both sides of the aisle in the five cities, reiterate that government and giving can no longer follow such neatly separate ways.

Whatever their local feelings about each other, government and philanthropy in the five cities share an often dim view about their national counterparts. The unrealized expectations of the Great Society, the evaporation of federally shared tax dollars, and the present cool in Washington toward fiscal heat of the cities, combine to a cosmic frustration in most city halls. Where there is hope, it is at hand and not in the distant U.S. capital.

Nor are the great national foundations any longer the unlimited reservoir for start-up or survival funds for some of the imaginative projects too large, too risky, or too controversial for local foundations or corporations. Particularly in the sixties, the nationwide foundation grants to hospitals and colleges, and especially Black colleges, plus the challenge grants to the performing arts, plus increasingly heavy national foundation investment in community development, added immensely to the variety and richness of local philanthropy.

No national foundations currently loom on the Des Moines scene, but Ford, Kellogg, Carnegie and Johnson Foundations, among others, are credited with a good share of all that has happened to medicine, education and the arts in California Bay area. Carnegie, for example, backed a landmark school integration project there. In

Hartford, Ford Foundation grants to the Connecticut Housing Investment Fund made it possible for nearly a thousand minority families to own their own homes, many in Connecticut suburbs, by the second mortgage route, and the idea is catching on with corporate givers and insurance company backers. Ford money has moved back into Hartford's Institute of Criminal and Social Justice, with its pioneering supported-work program and unconventional projects which survive the ill-fated Hartford Process to which Ford also contributed. Few local communities would find sympathetic help for the public interest law firms to fight for civil rights as have, for example, national foundation supported projects of the United Church of Christ (TV programming and employment for minorities) or the Mexican-American Legal Defense Fund in San Francisco.

In Atlanta the most significantly remembered national foundation effort was the successful, and still extant, Voter Education Project which brought thousands into the arena of political involvement. The same action in Cleveland, a component of a Ford grant to the Congress of Racial Equality, drew political sparks which some say led to the foundation wing-clipping passages in the 1969 federal tax "reform" act.

Of great advantage to any national foundation is the existence of a well-known local foundation with proven staff and integrity. Such an entity can run the necessary interference for the larger foundation in areas of pre-grant analysis, expenditure responsibility, technical assistance, and post-grant evaluation. The Cleveland Foundation, for one, has this reputation, and over the years has acted as both sympathetic broker and symbiotic partner in behalf of foundations and grantees. The result has been a steady flow of grants for the benefit of a variety of projects, but mostly for those in areas of education, health care and the arts.

For example, the Robert Wood Johnson Foundation of New Jersey has granted $400,000 to date to Cleveland's new Glenville Health Association to help provide first class health care to a medically deprived area in conjunction with a student education program at Case Western Reserve University School of Medicine. The Cleveland Foundation is deeply committed to this project, and provides staff reports to the Johnson Foundation as well as to other funding sources.

A major new three year program of the Johnson Foundation involves the investment of $2.2 million in Cleveland to confront the issue of high-risk births, in cooperation with local doctors, social workers, clinics, hospitals, and universities. The Cleveland Foundation is granting $250,000 in front-end money to encourage the implementation of this program.

The emergence of the Cleveland Foundation as a catalytic agent didn't happen overnight. The concept was given a major boost in the mid-1960s when The Ford Foundation made a substantial grant directly to the Greater Cleveland Associated Foundation for the specific purpose of strengthening local philanthropy. Mitchell V. Sviridoff, Vice President of The Ford Foundation said, "We believe that there is much merit in the ability of local groups to attract and dispense funds well for the benefit of the regions they serve. Our grant in Cleveland was designed to do exactly that, and we think it turned out well."

In addition to cooperative grants with the Cleveland Foundation, national foundations make large grants directly to organizations for a variety of purposes. St. Luke's Hospital received $375,000 from the Kresge Foundation in 1974 toward a new hospital, and Case Western Reserve University School of Medicine received $292,000 over two years from the Kresge Foundation to establish a health sciences communications center that has fine potential for linking the region's hospitals in a sophisticated communications network.

Case Western Reserve University is typical of a large organization with a national reputation that attracts major funding both public and private on a regular basis. It receives an average of $2.5 million annually from national foundations, and $1.75 million from local foundations. As Ed Sickmiller of the Kellogg Foundation said, "Case Western Reserve and other organizations in Cleveland happen to have the facilities and expertise that fit in very well with our stated purposes, so we're happy to work with them."

But there is another side to the coin of national foundation entry onto the local scene. On a recent talk show in Atlanta George Esser of the prestigious Southern Regional Council, a pioneer in minority rights and opportunities programs, was grilled sharply on why national foundations came in "to fool around in other people's programs." The exchange reflected antagonism against "carpet-bag philanthropists" whose goals are seen as inimical to the "Southern way of life."

Just as local governments find fault with the stop-and-go funding of federal programs in local communities, local nonprofit agencies have been known in some of the five cities to complain of the in-and-out pattern of national foundation support for local agencies. National funding, the gripe goes, raises expectations that cannot be realized when a start-up or demonstration grant runs out. Either that, or because of its importance, some idea must be funded at the expense of earlier locally financed efforts. Some San Franciscans still chafe that a national foundation kept alive for six years a local agency that had lost its public credibility and spent most of its money for administration. And what, they ask, will happen to KQED, the public tube, when The Ford Foundation no longer primes the pump? The pervasive truth may be that being philanthropic makes few friends.

Like that of all other organized American bodies, the anatomy of philanthropy has its aches and pains, suffered for the most part in silence. Giving may never be enough to do the job that is expected of it, in these "Five Cities," nor its priorities ever perfect.

Public scrutiny of the proper purposes of private giving will certainly sharpen. Greater accountability and disclosure will be demanded. The social responsibility of philanthropy will be examined with accelerating lèse majesté. But in Atlanta, Cleveland, Des Moines, Hartford, and San Francisco hundreds of millions of dollars freely given each year add a tone, a tang, a selfless tinge, often, to the vast social enterprises of those cities.

THE ANATOMY OF GIVING

SEARCH FOR THE BRIDGE: THE STAND-OFF BETWEEN CITY HALL AND "FIVE POINTS" IN ATLANTA

Bice Clemow

The directors of Atlanta's power-centered Commerce Club would not soon forget. They had gathered in its chandeliered elegance to consider a strange idea: the acceptance of "Negro" members.

Former Mayor Ivan Allen, Jr., spoke tersely. It was, said realist he, time, and silence crowded the room. It was broken by a quiet but firm, old but steady voice which allowed as how Ivan Allen made sense. Quicker than you could pour a Coke, the motion flowed through, unanimous.

That pervasive voice had been heard before, when there was some doubt in the Atlanta establishment about holding a state dinner to honor Martin Luther King, Jr., on his being given the Nobel Peace Prize. Word came down from the executive suite at the Coca-Cola company that there should be no doubt about it, underscoring that for most of half a century the reins of Atlanta business, Atlanta politics and manners, and Atlanta philanthropy had converged comfortably in the magic hands of Georgia-born Robert Winship Woodruff. Almost from the day in 1923 when his father and business friends had summoned Robert Woodruff back from Cleveland, where he was vice president of White Motors, the young man had begun to take civic charge. For decades the low-profile command post was to be his presidential office at Coca-Cola.

This phenomenon is now 86 years old, and in the Atlanta of the seventies, with a Black mayor presiding over a nearly 60 percent Black city, such benign autocracy is a dimming memory. But its legacy is five remarkable decades capped by Atlanta's Cinderella sixties. While they could read in the morning *Institution* about the riotous agonies of other cities, Atlantans were enjoying unprecedented prosperity and growth, the swiftly swelling distribution gateway to the new South. That euphoria gave way to the uncertainties of the seventies and its traumatic new political realities. "Today's urban requirements are simply greater than our ability to finance or administer," claims Chamber of Commerce President Ivan Allen, III, "because Atlanta has for so long provided better economic opportunity, and relatively equal social opportunity, for tens of thousands of low-income and under-educated newcomers."

Allen speaks mainly for the white population of Atlanta, which, so the saga says, is divided between those who made it big in Coke, and those who just missed because their grandfather sold his Coke stock. Even in the early twenties a sharp sag in Coca-Cola sales was as alarming to Atlantans as a deep dip in the barometer. Woodruff's canny banker father, Ernest, was the king-pin in the $25,000,000 purchase of the Coca-Cola Company from the Asa Candler family, an investment which neither Atlanta nor Ernest Woodruff was about to let go sour. Brought in as Coca-Cola president, Ernest's son Robert turned it around, kept it voraciously expanding into an international symbol of American enterprise, and he still goes to that executive suite every day as chairman of the finance committee of a golden fountain that bubbles out 170,000,000 drinks of Coke every day from Alaska to Africa.

In that spectacular process, Robert Woodruff amassed a personal fortune of half a billion dollars, and a personal ethos that made his word as good as law when it came to picking a candidate for mayor, building a college or erecting a skyscraper. Now Robert Woodruff's hearing does not so keenly discern the heartbeat of his city, nor is his word so powerfully heard.

New voices began to be listened to in 1969. *Constitution* publisher Ralph McGill, whose intellect and moderation had helped defuse racial high tension, was dead. The business giants who had dominated the single-party politics were getting tired. "They wear out, just like everything else," said Chamber of Commerce top boss Opie Shelton before he stepped down in 1971. When rambunctious liberal Vice Mayor Sam Massell decided to run successfully for mayor in 1969, the conservative discomfort of big money in the business community no longer mattered that much. The 62 percent white population of 1960 had slipped to 49 percent, so Massell teamed up with Attorney Maynard Jackson, the high energy son of an Atlanta Black Methodist minister, and the pair marched into City Hall, Massell as No. 1 and Maynard Jackson as No. 2. The stable alliance which Robert Woodruff had symbolized between "Five Points," the heart of the commerce and financial community, and City Hall, a scant few blocks away, was itself dead.

Four years later the continuing white flights to the suburbs, the immigration of Black families attracted by the falling residential property values, and the sharp decline in Atlanta's business activity during a national recession, particularly Atlanta's crucial construction industry, made Maynard Jackson a promising candidate to dump his political benefactor, Sam Massell. That brought the moment of truth for Atlanta's largely white business power structure.

Coca-Cola President John Paul Austin asked a colleague about business-giving to Maynard Jackson's campaign. The discourse went something like this: With population swinging as it had, Atlanta was sure to have a Black mayor sooner or later. Jackson was certainly safer than extremists of the right or left, some of whom were in the wings. If he won, Jackson would, of course, be under pressure to keep some unpalatable (to the establishment) social action commitments to his Black constituency, but in six months or so this would smooth out, as would his temptation to spend a lot of time on the national speaking circuit as a showpiece Black politician. With that rationale, Jackson's comfortable $325,000 war-chest included a lot of white money that helped him win in 1973.

The honeymoon was short. Tom Hammal, the straight-talking executive of the Chamber of Commerce speaks for much of his constituency in critical admiration of Maynard Jackson. "We're in a new ball game – the established leadership is – a period of deep and substantive change. Maynard is bright and articulate, but he had no administrative experience. He didn't pay his dues in the march on Selma and though he says he wants to be an interpreter of the grass roots to the establishment, he is more of a barrier."

Tom Hammal sees the need for some sort of forceful energy to bring Five Points and City Hall together "around a table where they can arrange the (social action) trade-offs" needed to get Atlanta in high gear again. There is a growing business power bloc represented by the local executives of national firms like IBM, Equitable Life, Sears-Roebuck, Delta Airlines, and Hammal that sees this force as a partial replacement for the aging, indigenous tycoons who made the sixties so glittering in Atlanta, "that unusual convergence of political and economic leadership."

Paradoxically, Ralph Beck, development officer of Georgia State University Foundation, has discovered that regional officers tend to hide behind the home office when it comes to giving time or money. "They never become involved," says Beck of the executives who are in and out every two or three years.

On his part, when it comes to bringing the city together, Maynard Jackson plows ahead. The politically philosophical payoffs to his Black constituency, and the temptation of applause at distant dinners, haven't tapered off quite the way business had hoped. In fact, the mayor, whose appointments have been understandably uneven, clings to a Black chum he made the city's director of safety despite a persistent series of embarrassing personnel maneuvers by the super-chief. Cronyism was the cry. More substantively, Jackson has made "joint venturism" on city contracts an imperative of his administration, a stance which stalled a $400 million expansion of Atlanta's cramped international Hartsfield Airport – busiest in the Southeast and second in the nation – until the mayor could force through the City Council (which he controls sometimes 14 to 4) a requirement that $100 million be sub-contracted to Black architectural and construction firms. Business, effiency-minded, has a hard time swallowing that, but Jule Sugarman, the skilled negotiator who was head of New York City's welfare operation under John Lindsay, and is now chief aide to Maynard Jackson, makes a case for a 25 percent participation of Blacks that is convincing to some of the white business community. A more socially and politically far-reaching issue awaits Black/white accommodation. That is the 15-year-old proposal for annexing more of the contiguous white suburbs to the inner city where population has dropped 4 percent since the '70 census. The notion is something of an article of faith to the white business community, rooted, they say, in sound economic judgement that Atlanta can't survive the pulling and hauling from adjacent counties. The arguments are of significance across the South, because red-earth legislators, from downstate Georgia, distressed at Atlanta's "going Black," would like to dilute Maynard Jackson's working majority of Atlanta city voters. In this tugging the legislature has wide powers without recourse to local voters, but any ruthless mandate of annexation that reduced Atlanta Blacks to 35 percent of the population could have lasting repercussions. Less radical surgery has been advanced that would bring into the city some adjacent commercial and industrial areas, to increase the tax base, and not too much new voting population. Some of the mayor's advisors think he could still hold City Hall with a 45 percent Black population and an organization strengthened by his present incumbency.

Although Five Points builds its case for some measure of annexation upon the presumption that Atlanta taxpayers would benefit, City Hall's figures suggest little or no tax advantage from any of the annexation proposals except the addition of the Fulton County industrial area.

The mayor's aide, Jule Sugarman, assessing the impact of annexing that industrial area, said it would cut Atlanta taxes two or three mills; those annexed will be paying more, but for better services. As a result, Mayor Jackson's reaction to the drive for annexation from the Commerce Club reads ambiguous. He is torn between the prospect of diluting his Black majority, despite predictions of increasing immigration, and the attraction of directing the future of a much larger and perhaps administratively more coherent metroplis. What seems sure to City Hall is that any reasonable idea for annexation is preferable to a legislatively mandated consolidation of life-support services. Even an area-wide sales tax, difficult as that might be, is less anathema to Atlanta's Black administration. The Chamber's economist Roy B. Booper, thinks such a tax might be politically saleable. The mayor seems to be searching for "superordinate goals" which could unite the energies of all elements within the city and blur its sometimes harsh history of cultural duality. Such overriding objectives could hardly be expected to end at city limits which corral a declining third of the people in the metropolitan area for, like many inner cities, Atlanta has been losing count steadily since 1971, and growing steadily blacker.

This shift might not have been translated into a Black administration, however, without the infusion of new Black activism generated in considerable measure by the presence of the Atlanta University complex, and informed by a vibrant Voter Education Project under John Lewis, one-time leader of the Student Non-Violence Coordinating Committee. The Atlanta University complex, particularly through the sixties, drew young, strong Black voices to the city, trained their politically active tongues. Many stayed to play persuasive political roles. Mayor Jackson remembers the universities as the greatest source of inspiration and strength for himself and a lot of friends who rallied to him. They helped get out 100 percent of the registered Black vote in 1973.

One of the strategies was the development of centers like the Butler Street "Y" which became a Black political and social focus and served as clearing-house, fund raiser, platform and gathering place. Yet this political and intellectual awakening of the Atlanta Black youth had to look largely to the north for the philanthropy which fed it. Fed but not bought. Though under one umbrella, the colleges within the university complex remain autonomous because some administrators, and their student followers, loudly resisted a Ford Foundation suggestion for consolidation of the colleges, which it had helped financially. They wanted in Atlanta, they said, no "Ford Plantation." The half-century bridge between Five Points and City Hall, which the voters of Atlanta began to dismantle with the election of Sam Massell in 1969 and totally eliminated with the installation of a Black administration in 1973, will take some skillful modern redesign, a genuinely delicate joint venture. Many Blacks feel that in the venture, the clout is still with Five Points.

John Cox, who was gently eased out of the Butler Street "Y" directorship, and who had been of great use to Maynard Jackson, says that when the towering Black mayor strode into City Hall, someone had already changed the phone number. "I'd trade the whole City Council tomorrow," Cox says, "for 50 percent of the economic power . . . What am I saying? I'd take 20 percent." All the "newness" of Atlanta is to Black attorney John Sweat, writing in the ethnic *Atlanta Gazette*, talk that has been overdone. "Behind the rhetoric we have an old, old problem: as individuals and as a collection of individuals we lack experience in working together and sharing power between the races. If there is fault, it is our history. The Jackson administration has struggled with this problem, and, candidly, can probably be expected to continue to struggle with the working division of races as long as Jackson is the mayor."

A few days after the Commerce Club decided to integrate its membership, an eminently successful real estate man got a call. W.L. "Bill" Calloway was asked if he could suggest a dozen or so fellow Blacks who could be invited to join the club. Some declined what they thought was the tokenism, others like Maynard Jackson felt the $1,000 initiation fee above their means. Bill Calloway saw it as a place where an essential socio-political accommodation could start. "We've all got to stop saying 'you-all' and start saying 'we.'" Out of that decision developed a small apolitical coalition of 12 Blacks and 12 whites willing to try reconstructing a bridge – they called it the Saturday Action Forum. It has been slow going, and deliberately behind the scenes, but several positive gains – the NAACP's Atlanta peace-making school plan for one – have gotten a decisive push with the muscle of the Forum.

In this informal way the Forum hopes to avoid the political stand-off ineffectiveness of the more elaborately official Atlanta Regional Commission which was created with sweeping responsibility by the state legislature to do planning, program development, data collection and to review any programs for the seven-county region that called for federal or state funding. Some thought it a promising national model of social planning power. But soon some of the enthusiasm of the original backers of the ARC was dimmed by the realization of its vague and awesome portent. Some of the Black leaders, particularly, feeling they were underrepresented on the commission, began to see it as a threat to Atlanta's Black political power base. This growing reticence, plus the ambiguity of ARC's interface with federal and state agencies, particularly the schools, diminished what A.B. Padgett, vice-president of community affairs at the omnipotent Trust Company of Georgia called "one of the dreams of effective partnership between the private economy and local government."

In the effort at accommodation between white Atlanta and Black, there are divergent views of a role for secular philanthropy, which tends as everywhere, to be coterminus with the business community. Jule Sugarman says it could be a catalyst toward the ambitious goal of a world-famed "Atlanta 2000." Considering the alternative, Atlanta philanthropy seems willing enough, but can't at this point quite see the way. The Chamber's Hammal thinks that philanthropy is going to have to wait until City Hall and Five Points have made their trade-offs, at which point private dollars creatively directed toward implementing agreed upon goals "could be a strong secondary force for change."

Chamber President Ivan Allen has some second thoughts on that, citing Chamber-centered efforts to form the Greater Atlanta Housing Development Corporation. "We gave our time and our company's time and money (The Allen enterprises give away $50,000 to $100,000 a year). Because of the dimensions of the thing, we acted as a funnel for federal funds. It got so big it drew in people who were only interested in the money, so I don't know if this is the type of problem that can be addressed by private philanthropy. When any delivery system gets of any scope it becomes cumbersome, bureaucratic, and has a tendency to lose the personal touch." Mrs. Allen had somewhat the same experience when a day care center burgeoned and got bogged down in filling out forms and scrambling to meet funding criteria.

Even in the mind of Ivan Allen, III, the Chamber has been "longer on study than on action. It has been at times an instigator, but more often a bystander in generating and directing private philanthropy toward the city's social problems."

Uniquely among large American cities, the fortunes created by a single product continue to dominate the philanthropic anatomy of Atlanta. In Detroit, by contrast, Henry Ford had successful imitators. But in Georgia, Robert Woodruff's father Ernest, his mother Emily and his brother left $29,000,000 worth of stock in a company that had dwarfed all challengers – Coca-Cola.

The vagaries of the stock market send the assets of that principal Woodruff trust swinging up and down, but two years ago they totaled $205,603,387. It may have been an 1886 accident, when a careless soda fountain attendant added carbonated water instead of plain water to the syrup that pharmacist Pemberton had concocted, which made Coca-Cola an almost instant regional success. But it was no accident that Robert Woodruff and associates made "Coke" a world-wide favorite and its stock a Georgian Klondike. They did it with ubiquitous advertising and highly charged marketing. Everybody prospered, including Robert Woodruff, who became a seemingly bottomless well of charitable giving that was always listed as "Anonymous." In a rare recent interview, Woodruff smiled slyly as he said that as Mr. Anonymous he gets the credit for "a hell of a lot of things that other people do."

Against the future in which he would not be present, Robert Woodruff created his own separate and private foundation by reversing his name. "Trebor" Foundation itself had assets of $32,636,331 a couple of years ago.

Paralleling the Woodruff experience was that of the Whitehead families, whose founding father, Joseph Whitehead, was an early partner in the company that franchised the United States bottling of Coca-Cola. In 1973, the three Atlanta foundations created by Joseph, his widow and L.P. Whitehead, had a market value of $154,155,017. Thus "Coke" has made available today for charitable works nearly $400,000,000.

And that's not all. Robert Woodruff's personal holdings, not yet turned over to his own foundation, are estimated at $450,000,000.

In January of this year, the Emily and Ernest Woodruff Foundation switched its tax status to that of a beneficial fund to free itself from "discriminatory features of the 1969 Tax Reform Act." In doing that it created a list of 28 educational, health and social service organizations in Georgia which are eligible, but not individually guaranteed, to receive support annually from the new Emily and Ernest Woodruff Fund, Inc.

This fund, along with the Trebor and the three Whitehead family foundations, officially nestle together at 230 Peachtree Street where a soft-spoken Southern gentlemen named Boisfeuillet Jones carries out the wishes of the various trustees of th[illegible]st private monies that Coke made. In that role he is considered around

Atlanta as the staff embodiment of a man who avoids the public eye as much as he contributes to its welfare – Robert Woodruff.

Boisfeuillet Jones sees his assignment simply as the culmination of a life spent in public service. An educator and one-time special assistant to Secretary Abraham A. Ribicoff in the U.S. Department of Health, Education and Welfare, Jones was dean at Atlanta's Emory University and was assigned to work out a financing program which would allow Robert Woodruff to stop worrying about having to ante up $250,000 every year to meet Emory's operating deficit. Asa Candler, who had bought the Coca-Cola Company for $2,300 in 1891, had in his later years put up a million dollars to move Methodist Emory from downstate onto a new campus in Atlanta. There Robert Woodruff was enrolled but, impatient and unscholarly, he never finished college.

The close tie between Emory and Coca-Cola was further cemented by Robert Winship Woodruff when his grandfather Robert Winship, with whom he was very close, was dying of cancer and Woodruff discovered that there was no cancer research and care clinic in the area. Since then Emory and its medical school have been major beneficiaries of Woodruff philanthropy.

Woodruff is sure it has all been worth it, as he says the medical center is "the best institution of its kind in the world," a far cry from the day 39 years ago when it was one technician and an assistant in an otherwise empty basement.

Boisfeuillet Jones worked out an arrangement under which a $50,000,000 capital gift to Emory endowment would enable the now-integrated college to balance its annual budget, but that did not end the benefactions. Woodruff was so pleased with Jones' ways he wanted the educator to join the Coca-Cola company, and Jones was finally wooed by the offer to manage the Coca-Cola families' charitable works. Emory has remained the fortunate focus for much of Woodruff giving. In addition to the earnings on Coke stock, his only big stock holdings, more than $100,000,000 of Woodruff capital has been paid out to nonprofit beneficiaries in the last decade, $84,000,000 "anonymously" of it to Emory. The Atlanta art center, which memorializes the 122 community leaders lost in a cultural charter flight to Paris on June 3, 1962, got $18,000,000 in Woodruff money (40 percent of it in endowment) and subsequently considerable flak from Black critics. Donors are distressed when they hear a Black leader snort, "The Arts Alliance? That elitist place?" Even some friends of the arts complex agree that it is not greatly succeeding at drawing the Black majority of the city, nor do the Black generally feel it is trying hard. They claim that the arts center program underrepresents Black culture, Black theatre, Black dance, Black music. The center has a vigorous rebuttal.

Another Woodruff $20,000,000 went for some small outlying parks and a downtown open space at Five Points where white professional and clerical workers sun themselves at noon and Black take over to frolic when the sun goes down. The park at Five Points, a rescue operation when a skyscraper planned for the area fell through, has recently been expanded by removing some of the small abandoned retail and office structures that clutter up much of America's inner-urban landscape.

The park is seen by some Atlantans romantically and by others cynically. "The businessmen got together," says one Black critic, "and bought a whole city block. Now I know damn well they already owned those buildings . . . yeah, out of the left pocket into the right. Run down buildings. The block was right smack in front of the new Trust Company of Georgia building, and it was ugly, so they tore down the buildings so people could have a view of the Trust Company." Not so, say many who were involved. Robert Woodruff said this fall about the parks he's funded, "four is enough so I'm getting out of the parks business."

Basically, the steady and heavy flow of Coca-Cola money has not been directed toward the condition of disadvantaged minorities. In big money Atlanta circles that is not unusual, for the corporations and foundations have mainly been concerned with the safely narrow spectrum of health and safety, education and religion, and civic improvement. But as Blacks have come increasingly to be served by the traditionally white colleges and schools, and by the general purpose agencies such as boys and girls clubs and other United Way agencies, the Blacks have come to benefit increasingly from Woodruff largesse. Five secondary schools in the area have been continuing beneficiaries, and over the last few years some [illegible],000,000 in Coca-Cola stock has been given by Woodruff interests to the six component institutions in the Atlanta University complex, a nationally recognized pace-setter in Black higher education. Blacks often argue, however, that in large measure the academic achievement of that complex was made possible by help from national rather than Atlanta sources. A great deal of other money is given to charity in Atlanta without benefit of sophisticated inquiry into its use. Dan E. Sweat, Jr., president, Central Atlanta Progress, has noted that in all forms of philanthropy too often grants are made without the foundation or individual fully understanding what is intended. "Too often they are financing bad deals," Sweat says, a situation he hopes can be corrected by a new investigative service under the Metropolitan Foundation. He nonetheless heartily agrees with Boisfeuillet Jones that the private dollar has speeded change. As an example of the relative ease with which the private sector can fulfill a need, banker Brad Currey cites a survey that he and Bill Allison, the Equal Opportunity Administrator, are conducting, seeking to know what kind of experience Black candidates are having on the job market. The study focuses on where Blacks are going to work, why they took the job, what sort of recruiting, job hunting, and interviewing experience they encounter. To accomplish this, they are surveying the entire group of graduates from Georgia Tech, Emory, Georgia State, Oglethorpe, and the Atlanta Universities over a five-year period. The business sector will receive a parallel survey concerning its experiences in recruiting Black candidates for training programs and officers' jobs.

"The business community will know a lot more about what the problems are for Blacks coming out of Clark College and looking for work," Currey maintains. We'll have an impact on the personnel policies in these companies." Here's a project that would never get done in the public sector except in terms of a $500,000 grant/research program, and all we've spent is our time and the time of two assistants, about 20 hours, and the paper and mailing costs."

Boisfeuillet Jones himself is conscious of the enormous responsibility which great wealth imposes, and often feels himself on the front lines of a "populist attack on wealth." How he feels is important, for if Robert Woodruff should bequeath his huge personal fortune to his existing Trebor Foundation, and the 86-year-old man has no present plans for parceling his money out in his will, as the man who manages the cluster of Coca-Cola philanthropies, Jones would be responsible for three quarters of a billion dollars in charitable funds, one of the very largest accumulations in the land, and all managed with precious little research or innovation.

"Bo" Jones, as some intimates call him, is a true disciple of the use of private resources for public purposes, and feels it fitting that the government "has recognized the wisdom of encouraging the use of private wealth toward improving the quality of life in this country." He says that "private philanthropy does not suffer from the federal imperative for finding a common denominator for everything." He sees fortunes like those of Woodruffs and Whiteheads as providing the virtues of "local determination and pluralism at their best." Others raise the question, how plural? Boisfeuillet is a name not easily forgotten, but Alan D. Willis, vice-president of the Communications Workers of America in Atlanta, where labor has never been strong, claims that's more than a matter of pronunciation. "The wealthy have always run Atlanta," he says. "You go to one of these boards and you will find one member of labor, one from the Blacks, and the rest are banks and Coca-Cola."

Jones, on the other hand, sees philanthropy as being "way out ahead" in many social issues, including foundation support of voter education and registration. To any criticism that philanthropy can ignore public priorities for social change, Jones answers in part that priorities set by government can automatically direct philanthropy, and he cites the trends in the health field where government matching grants for research sent the institutions to private funds, such as Woodruff, for capital construction money. He describes increasing government interest in Black higher education which has, he feels, concomitantly stimulated much foundation giving in that direction. Georgia State, which began in a converted garage only 15 years ago, is pushing 20,000 enrollment, with generous legislative support, but with only $500,000 private help a year.

Since Coca-Cola stock sells sometimes as high as 40 times annual earnings, federal regulations on private foundations put a tight squeeze on the money with which men like Boisfeuillet Jones are associated. Since Coke stock doesn't always earn the federally required 6 percent payout on assets, the Woodruff Foundations' principal must be invaded, in addition to a 4 percent federal tax on the interest. Woodruff himself thinks that some foundations took advantage of the pre-1969 tax provisions, triggering tighter government restrictions which he feels went too far and certainly should go no farther. It was chafing over these restrictions which drove the Emily and Ernest Woodruff Foundation into the relative strait-jacket of a trust fund with specifically limited beneficiaries. But for the foreseeable future in Atlanta, private giving will have a lot to work with, and giving is likely to be heavily synonymous with Woodruff.

The fortunes amassed by the Woodruff and Whitehead families in the mixing and marketing of Coca-Cola's sweet syrup, and still held in their five trusts and family foundations, account for some 80 percent of the capital in the 45 private and corporate charitable funds in Atlanta. The pattern of giving from the other 20 percent of Atlanta's foundation assets does not differ radically from Coca-Cola benefactions.

Such concentration, plus the fact that in relatively youthful Atlanta, wealth is mainly in its first and second generation, has inhibited the growth of the Metropolitan Foundation. Now at the modest $5,000,000 mark, this collective remains, in the mind of its first director, A.B. Padgett, the conduit through which accumulated wealth can be most flexible in responding to ever-changing philanthropic needs. Its potential for professional operation, including evaluation of grant requests, could answer one thing that turns off Brad Currey at "the" Trust Company. Philanthropy, he has found, can get bogged down in its own bureaucracy. Some foundations are so choked with red tape, he claims, that "I never bother to ask them for money." He adds that at other times private sources can turn around much faster than government.

A lot of Atlantans see a danger that the flexibility of private money will be stymied by the federal government. The Tax Reform Act of 1969 has already "almost dealt a death blow" to many Voter Education Project programs, and, says John Lewis, "we just can't afford additional controls." The Ford Foundation, one of their largest supporters, is already "following the restrictions beyond the letter, beyond the spirit . . . If accountability is the problem, we're in trouble. Monitoring is too expensive." But George Esser points out that public money even now is much less accounted for than private money. "Who are they fooling – you don't monitor yourself," he confesses.

If the tax incentives were eliminated, Director Richard Hicks estimates the United Way loss would be about one fourth of its entire budget. Tax incentives have also served as the spark "to get people started in giving – usually on the advise of their lawyer, but people then become more and more involved."

The mayor insists that Atlanta "would be radically (and I use the word carefully) different but for philanthropists," but concedes that though the leadership may know what tinkering with charitable tax deductions might do, the issue is lost on most of the people.

One reason it is could be the attitude and the performance of the media. Under control of the Cox Broadcasting Corporation are WSB-TV, the most powerful signal in central Atlanta, WSB radio, the largest radio station in Georgia, and both the two daily papers – the evening *Journal* and the morning *Constitution*. History has given them carte blanche.

Reg Murphy, the former editor of the *Constitution* who is now in San Francisco, blames the mayor for the public's negative sentiments toward the paper. On the other hand, the *Constitution* ran week-long series on Atlanta "City in Crisis" that dumped all the problems from the last four administrations in Maynard Jackson's lap. Wade Mitchell blasted the sloppy style of the series that allowed "editorial opinion to appear to thousands of readers as absolute and total fact, not subject to further interpretation. A totally irresponsible effort to sell more newspapers."

"Much of the white flight problem was just attitude – perceptions and misconceptions about what was happening." According to Charles Rooks, the misinformation or lack of information in the papers had a disastrous effect on the exodus from Atlanta. "It's too bad the reporting system depends on profit," said Frank Robinson of the Metropolitan Foundation, "or there'd be very different news on the front page." The series led off with a devastating assessment by John Portman, the designer and builder of much of new Atlanta, and its largest downtown taxpayer: "We have developed a lack of trust in the business community toward the political community, a lack of trust of the city government toward the press, and it's perceived that the press doesn't trust the other two." The business community took blue-language umbrage at the plaintive "Atlanta's Camelot-Has-Faded" tone of the *Constitution* series, asking whether John Portman's public pessimism was not simply half a story. It did not make sense from a man who, as one of the largest single downtown property-owners, would have most to lose if his reported fears came true. They add that, since the series, Portman heads a five-committee task force for a massive "Marketing the Central City" poised for launching in the fall of 1975. It could be that the grumbling about the *Constitution's* serial alarum is part of a broader business unhappiness at the *Constitution's* decline in civic leadership and national professional reputation since the days of Ralph McGill. Many Black chafe at what they perceive to be a finger-bowl sense of Atlanta history and a *Constitution's* failure to discover what the Atlanta of 1975 really is like, now that a Black administration seems securely ensconced in City Hall. The city also is dotted with ex-*Constitution* staffers who felt they couldn't live on that newspaper's pay.

Beyond their direct allocations, corporations and foundations also provide a healthy 29 percent of the operating funds dispersed by the Atlanta's United Way, the basket agency that has gone through a good deal of complicated goal-churning without making much butter. The nagging question, of course, is not simply how to get more money for the agencies under its wing – though raising the $11,000,000-plus goals has been nip and tuck lately – but rather whether this collective charity is being invested in the right places, in the right amount and at the right time.

Such quandry is hardly unique to Atlanta, but Atlanta has certainly acted as self-conscious as any about it. As the sixties wound down, the need for a hard look at the future came clear to many involved in Atlanta philanthropy, and one result was the creation of a Community Council of the Atlanta Area (CCAA). It was funded by the United Appeal and a $50,000-a-year grant of Woodruff money for five years. The CCAA initiated a great deal of background planning data for human services delivery. Some people saw for the council a brokerage role between the old dominant white community and the emerging Black community, but after a few years many Blacks became jealous of their own negotiating capabilities and thought the CCAA superfluous. As a planning agency it found itself in conflict with other such groups, and as an advocate of change it ran up against the entrenched social action bureaucracies. So the United Appeal, reorganized as the United Way, in 1973 asked the United Way of America to send a study team to Atlanta to serve as consultants to a new Committee on Human Services Planning for the region under the chairmanship of *Constitution* Editor Reg Murphy, before he was briefly kidnapped.

Although the consultants waded valiantly through the morass of human services planning centers, their final recommendation of a voluntary "low profile" new corporate structure for area-wide social planning simply didn't take root. Some found utterly unrealistic the notion of a super-planning agency which took its power not from legislative mandate, big money, or militant advocacy but from "the power of facts and respect for the personal accomplishments, integrity, and commitment of its governing board, the competence of its staff, and the objectivity of its work products." And in the end the United Way, which the consultants recommended be the organizational shelter for the super-planning agency, seemed to lack both the heart and the cast to create what critics imagined might be only the moribund Community Council under a new name.

In 1973 the United Way decided to do its own priority reallocation. A network of 114 representative leaders made up the Priorities Allocation Committee (PAC) which called for preventive emphasis, demonstration programs, concentration on youth and the poor, and a United Way posture of advocacy. Some observers smile at that. But when it got down to what the United Way agency ought to be doing differently, the PAC said soberly that there should be increased activity in virtually everything it was presently doing. Since then, the status could be best described, until very recently, as *quo*. If Atlanta was looking for creative change in the accommodation of the white minority to the new Black majority, it would have to look elsewhere. As friendly a critic as the Chamber's Tom Hammal testifies that "change is always threatening to the power structure" so that in operations like the United Way "we tend to perpetuate our mistakes. We still need to pinpoint the new priorities." Bradley Currey, Jr., past president of the Chamber and executive vice-president of the Trust Company of Georgia, is optimistic that the pin is getting sharper. He heads up the effort for some tough United Way priority setting, a development he long thought "never would happen." The committee is "across the board – citizens from Perry Homes to Buckhead, poorest to the richest." He concedes that 10 or 15 years ago "we were not using money in an intelligent and reasonable fashion." Now what Currey and committee is saying is "If you want to continue to run a purely social program and serve people who will never be changed by any of it, and that group is not large or high in priority in the community, then we are not going to fund you." He feels that many neighborhood and community groups are shot through with unrealistic expectations. However, many Black leaders are not ready to settle for what they see as warmed-over white processes for redirecting Atlanta's social action priorities. They have more faith in the neighborhood or community-based organizations. Here, they say, there is direct contact between the people who pick priorities and those who benefit from the decisions. In some cases the people are the same. While the less militant Black welcome whites, they do not particularly care if their neighborhoods remain Black, provided they receive "equal" services.

One of Maynard Jackson's dreams, down the road a piece, is an institutionalization of the "community organizations." He wants a new "People's Trust." Not yet clearly thought out, this would be a monthly installment pledge system controlled by Black community representatives to reallocate the "trust fund" into Black agencies. In a less formal way there are currently a few visible Blacks whose energies help steer the dollars available to the secular community organizations. Ben Brown, a maverick member of the Georgia House of Representatives, and a one-time protege of Julian Bond, is familiar on the street of charity, as is Panke Bradley, the only woman member of the City Council and one who takes her work home with her into the neighborhoods. John Cox, the quietly side-tracked director of the

Butler Street "Y" (and now with Delta Airlines) is bitter about the *modus operandi* of the "folks at Coca Cola," which he uses as a generic term for the establishment, in securing their hold on the city's charity. He is almost as sour as the well-respected Reverend Austin Ford who runs a small community house in the southwest. He says that with strange regularity community activists who begin to gain an audience suddenly disappear, and reappear shortly on the board of directors at "Coca Cola." To which some whites question, to paraphrase, "Well, if the boards are all that powerful why doesn't it help to have Blacks on them?"

Some of the difficulty stems from a limitation on available monies. Richard C. Hicks, who directs the United Way, considers the most neglected problems of the city to be major health, youth guidance, emergency funds, day care, and remedial care, "but because of our limited funds, we just can't touch them effectively. They're too big for us." That anomaly has some Atlantans toying with the idea that public money is the only answer. "That's crazy," retorts Charles Rooks of the Southeastern Council of Foundations, "Private philanthropy is the key to democracy in this country." Outside "public" money is not in the best repute with some Atlantans. Several of the neighborhood groups are suspicious of it because there are too many strings and too much red tape. Others add that there is in Atlanta an historic sense of federal financial discrimination against the South.

There's another hazard, which editorial writer Gene Tharpe points out: "Ten years ago there was a great increase in 'free' public money. Then, Nixon came in and killed it all. Many agencies had to scramble for private money or go under." Frank Robinson, currently director of the Metropolitan Foundation, feels that the leverage of public money is underdeveloped. The biggest waste of money," he says, "is to use one dollar of private funds to put up a new wing on a hospital. Hell, there are basic public needs, and for God's sake, the public sector has to realize its responsibility in these areas."

Brad Currey's rather brave talk about redirecting United Way dollars is widely applauded by men like successful contractor Larry L. Gellerstedt, chairman of Central Atlanta Progress. "Florence Crittenden," he says, "is going to have a decreasing role with abortion and birth control, in my opinion, while day-care will probably have an increasing role because of more mothers working. It's tragic to maintain an agency simply because it has a history of doing something 50 years ago. No question about it, we've got to get rid of some sacred cows."

One thing that has quickened the pace of self-examination has been the tightening of the money market, for the $1 giver as well as the $1,000,000 philanthropist. Business types like Gellerstedt have their fingers crossed about United Way collections, which have come much harder the last two or three years. "Will people say?" he asks, "'Look, it's tough for me this year and the government ought to look after it.'" But that goes against his grain as he stereotypes the "have" attitude toward charity: "Underlying the entire concept of this country is a personal responsibility for one's fellowman, and not one's fellowman through big government." Maybe that posture simply echoes the fact, reported by Atlanta Comptroller Charles Davis, that more than 95 percent of all money spent by the multi-level local governments is raised locally. Revenue sharing is at a nominal $7 to $8 million level. (The state spends in Atlanta half what it collects from Atlanta citizens.) "Money coming from the government," Gellerstedt claims, "has a way of making the individual who gets it take on a kept look, rather than the look of 'I'm pulling myself up through self-reliance.' It's dehumanizing for the giver and receiver."

The decision-making apparatus for United Way's 50 funded charities is a filigree of corporate and foundation influence, greatly resembling the interlocking directorates of finance and philanthropy in the typical American city. "If the aspiring young executive doesn't play golf, you can bet hell that he's on some board at United Way," is the envious observation of George Esser, Jr., at the Southern Regional Council, a revitalized organization of 100-plus Southern leaders who have also had to look northward for their wide-ranging social development programs for the southern poor.

United Way giving in Atlanta reflects a low per-capita contribution among figures from most other large cities, partly because of the income pattern of Blacks but also because many of them see it as a white organization. There is a tradition among Atlanta Blacks to funnel their giving through their churches, and the city's very large middle-class Black population, whose economy has created a dozen or two Black millionaires, is hardly noted for its support of secular social action. But two of the major Black businesses, the Citizens Trust Company and the Atlanta Life Insurance company, are generally on the list of major givers to communitywide projects. Jesse Hill at Atlanta Life, who is one of the recognized movers in the city, channels most of the company's Herndon Foundation annual giving of $250,000 or so to the Atlanta Universities. Summing up, Esser of the Southern Regional Council, a seasoned observer of the philanthropic scene, says "The United Way is widely accepted, serving the more traditional needs. It doesn't give to community-based groups or advocacy programs. They depend on their support from the business community." Reverend Ford believes the United Way "has never spent one dollar on social change. There is no place for social change, or the necessary role of advocate, in an agency locked into dozens of perennial budgets."

"Band-Aid money," adds John Cox.

Churches in Atlanta are often a part of the community effort, and while most people see the church as a center for social activity, the poor neighborhoods have poor churches that spend most of their money on religious operations. There are several very active churches but without a strong linking organization. The wealthier, mostly white churches direct much of their nonsacramental or semisacramental efforts toward their schools which usually have large tuition fees, and mostly – if not all – white students. The mayor considers the churches to be the strongest focal point for Black activism – political and social. Some disagreement comes from other Black politicians who point out that the large and wealthy churches are white, and "segregation was acid on church ground." The mayor's own perception comes from this son of a powerful Black minister. "The congregation worshipped him," says Maynard Jackson of his father, "and incidentally God." Acknowledging that although church rolls are declining, Chamber President Ivan Allen III says some of them have been tackling significant social problems, for example, illiteracy. He wishes more church leaders were prompted into community action by the pace-setters. He believes the churches could and would like to see the Christian Council create an Education Corps to deal with schooling needs in an environment outside the classroom, the most pressing social imperative he sees in Atlanta. If there is one area in which Black and white concerned citizens agree, it is the inadequacies of Atlanta's 85 percent Black school system. (It was just 30 percent in 1952). Its shortcomings especially worry families in areas where annexation is being talked. Parochial and other nonpublic school enrollment in Georgia is 75,000 versus a public school enrollment of about 1,100,000, and Georgia is in the lowest quintile of the state in its per-pupil expenditures for public education.

Serving principally the United Way agencies is a big cadre of Atlanta volunteers, predominantly white. Black women "traditionally have had to work, even if the family lives a middle-class lifestyle, they probably can do it only because the woman is working too," the Reverend Ford notes, adding, "Black women don't always have a parent or uncle to fall back on if they do something wrong." Betty Harmon, head of Volunteer/Atlanta says that Black women relate to a traditional "neighboring" in their communities – a "rallying point in times of crisis for response to funerals, weddings, arrests, and so on." Of the fourteen hundred volunteers placed each year by Betty Harmon, 75 percent are women, and about one quarter are Black.

Mrs. Harmon believes the real reasons people volunteer are first, for career exploration; secondly, for experience (many agencies give certificates for performance and experience); thirdly, for knowledge of the community; and finally for advocacy of "causes." She feels that the final effect of voluntarism should be advocacy, both for the individual and for the philanthropy. The United Way, however, has "put the brakes on that kind of activism."

Bob Piner from Research Atlanta, a business-supported fact finding agency whose data is heavily relied on by many public policy makers, feels the executives, board members, and business people who donate their time are too often forgotten for their volunteered time and efforts. And sluggish public response can be discouraging to paid and volunteer staffs alike.

In an attempt to tap the new Black money in the city, the Voter Education Project sent fund-raising letters out to all of the 80-odd Black doctors in Atlanta (of about 100 in Georgia) and received almost no response. Many agencies, new and old, are trying to find new funding sources, without much success. The United Way does an enormous and thorough mail campaign which may partly preempt this technique. Charles Yates at Arts Alliance admits that their public subscription drive for the center to match the Woodruff money then saturated the market. He now thinks that employee giving is the new unexploited source, but admits he has not been getting a warm response from the business community.

Outside the collective collection plate, Atlanta supports the usual myriad of special purpose charities. One of the more engaging outcroppings of concern in the city is a place called "Metanoia," a conglomerate of several more than usually creative social action agencies huddled in the former Red Cross building on Peachtree Street where the understanding landlord is the North Avenue Presbyterian church. Socially conscious Thomas G. Cousins bought the building and leased it to the church for $1 a year.

The tenants include the ATO (Assistance to Offenders), the Salvation Army Girls Lodge, the Bridge (for runaways), the Christian Council for Metropolitan Atlanta, an advocacy agency for conscientious objectors, Handshake, a craft promoting group, a job-finding headquarters, the Common Cup where Metanoians commonly sup, and principally "Exodus." That is the enterprise which has attracted most attention from both Five Points and City Hall. The $1,200,000-a-year alternative education and social service agency is run by William Milliken of New York City street academy reputation. Exodus has several faces, but the prize is Project Propinquity that has caught a bit of the imagination of both the Jackson administration and the business-based philanthropy. Last year it addressed itself to 34 students with abysmally low reading scores and poor attendance records.

Milliken, a salesman in saint's clothing, argues that when it comes to "doing good," 1975 style, influence is more important than money, though you need some of that too. A lot of the non-accountable institutions working with the poor, he suspects, could stand razing because their techniques and morale have gone threadbare and their management slipped to sloppy. What he hopes to do with Project Propinquity, largely funded along with similar operations in Indianapolis and this fall New York, by the Lilly Foundation, is to engineer a partnership of the social service and educational systems. Local help has come from several banks like C&S, Trust Company of Georgia, First National, as well as the Woodruff Foundation, IBM, Sears and Honeywell. Milliken, who is negotiating with the city to try his idea in the 500-student Grant Park school, reasons that for every seven 15-to-19-year-old in Atlanta there is one adult employed in local or state education and social service – schools, clubs, drug and crisis centers, and the like. He wants to regroup the adults into teams working with individual teenagers to eliminate overlap and duplication of services. If successful the technique would, he claims, offer vast savings and increased efficiency with only a modest investment in "facilitators." He believes that private dollars mustered to organize a Propinquity project would add great leverage to public dollars presently allocated to the education and guidance of the young.

At the moment, the economically troubled waters put not only different but also greater demands upon Atlanta philanthropy of all stripes, and at the same time restrict philanthropy's capacity to respond. So Atlanta leaders eagerly fan any slight upward activity in the economic indicators, such as a present feeble ripple across the surface of the prolonged rental stagnation. It is time.

For the five-county Atlanta metropolitan area, multi-family residential building permits nose-dived from a 1971 high of 33,569 to something below 4,000 last year. Single-family permits peaked in 1972-73, then fell 50 percent in 1974. Rental quarters are 12 percent empty, and 17 percent of all housing is classified as deteriorated. This decay is sometimes hastened, the Reverend Ford points out, "because there is no welfare for males unemployed in Georgia and the jobless male head of the family must leave home to allow his wife and children to receive aid." Unemployment, particularly in the inner city is discouragingly persistent, particularly to the Blacks whose joblessness is at least double that of whites and has worsened since the 15.2 percent tally in the summer.

But these gloomy figures are paralleled through much of the U.S. Southeast, so Atlanta remains 10th among the nation's major market in dollars for construction last year. In office buildings, its dollar figure was second in the land. For every spokesman with an umbilicus to the white business interests, the solution for a ghetto economy or a high crime rate is to bring back the whites. All eyes were turned to the renewal areas on the fringes of the city proper, waiting for the slow flow of white into these renovated neighborhoods. Black attorney John Sweat perceptively comments that "Recognizing that white flight was more a product of disorganization than racism is probably the genius of Central Atlanta Progress. To reorganize whites, CAP pronounced a 'Back to the City Movement' . . . But symbolically the inner city residential movement is integrally tied to what develops on the famous 78-acres of old Bedford Pine neighborhood. What is happening there is that a Black neighborhood will become a white neighborhood."

Closer at hand than the return of whites to the inner city is the widespread drive for a retail renaissance toward which much of the white and Black business communities are directing their slowly uniting energies. As Black population poured into the city, the growth in the number and size of Black-owned business in Atlanta – with a 52 percent increase in the past three years – dramatically outpaced the nation's 19 percent. Black Atlanta metropolitan businesses rang up a doubling of gross receipts in the same period.

All business hopes to gain from the city's push to accelerate its convention and tourist "industry" which brought in $80,000,000 last year and made Atlanta the third busiest convention city in the United States – 538,000 conventioneers who spent $5 million at bars and $4 million at night clubs and sports events in 1973. Downtown Atlanta today sprouts a forest of lofty cranes as it rushes to complete nearly 10,000 new hotel rooms, to swell the total to 30,000. The city has put a 3 percent occupancy tax on hotels to produce $1,500,000 for the city coffers this year. It will take some humping to keep 30,000 rooms full, but the new 350,000 square foot Georgia World Congress convention center may do it. Even the long-stalled construction of a subway system, designed to replace and augment the city's busy bus fleet (with its successfully city-subsidized 15¢ fares), will hopefully get in motion with a shove from all the activity around town.

The Chamber of Commerce convention scouts and business dealers are in sweaty harness with the cheerfully business-funded Central Atlanta Progress (CAP) organization. Foundations have been approached to help in revitalizing the center city so, as one leader says, "it doesn't close at 5 p.m." The effort goes all the way from commissioning artists to paint colorful designs on some old central city buildings, to promoting a 78-acre Bedford Pines urban redevelopment whose 9,000 housing units will range from low-income public housing to $150,000 homes.

Some 106 businesses pay regular dues to CAP and larger contributions are solicited for special projects such as the creation of parks, crime deterrence in collaboration with the police, and a hospitality patrol of 18 college-age people to escort visitors to bus stops, restaurants and the historic renovation of the city's earliest business area (now below street grade) known as "Underground Atlanta." Because of rising crime the "Underground," an almost instant success a few years ago, has seriously faltered.

"We're not concerned just with eliminating the (unsafe) image," CAP President Dan E. Sweat, Jr., says, "we're concerned with eliminating the crime too." Crime will go as well, if Sweat has his way, thanks to a volunteer Environmental Patrol monitoring streets to report accumulations of trash, broken walks, and other hazards to strolling.

Sweat says the business sponsorship, with its private dollars, has effected changes that public agencies would have struggled over for years. He speaks of the example: play lots on vacant sites during the sixties. "The city had no money, but we had to move because we had Stokely Carmichael and Rapp Brown in here trying to stir up trouble, so I went to Mayor Ivan Allen, Jr. He knew he couldn't move the city fast enough, so he asked me how much a fully equipped play lot would cost. I said '$5600' and he wrote me out a check, gave me a list of others to call. Nobody said 'no.'"

Sweat and his colleagues have a big job on their hands. Palaces of pleasures and pornography crowd in among many of Atlanta's newest skyscrapers, filling store fronts abandoned by an almost catastrophic exodus of small shops and offices to outlying commercial and retail centers. But it is clear that a counter-force is in motion.

Historically in Atlanta as across America, big charity has gone heavily into bricks and mortar. The United Way is almost exclusively a maintenance fund for recreation and service groups, and the "community" organizations are basically advocacy and social action sources. This hopefully could achieve a delightful complement arianism for the city of Atlanta, but it hasn't quite worked out that way. "Big money" builds (1) buildings at Emory University which are maintained in large part by tuitions and out-of-state philanthropy; (2) parks which are maintained by the city; (3) hospital wings which are maintained by fees and public money; and (4) arts centers which are maintained by fees, tuitions from the art school, its own public subscription campaign, and federal money. The United Way neither builds nor maintains facilities for neighborhood projects.

In this way each sector of private Atlanta philanthropy serves its important purpose, but there is no conductor for their solos. George Esser at the Southern Regional Council says, "Except for the art center there has never been a joint venture from the whole business commmunity for a major philanthropic effort in Atlanta. They just never saw the need."

In all, however, private philanthropy accomplishes many works in Atlanta, some in the current enlightened self-interest of the donors, others out of a sense of tradition that the symptoms of neglect can be allayed by generosity. "If one child lives who would have died, how can giving be questioned?" one patron asks. Still there are many Atlantans, not all Black, who will say that private philanthropy has held its own silver spoon for too long. They suggest that if the people behind philanthropy understood the responsibility of giving to be much greater than that of receiving, there would be less justification for today's uneasy fright. Such discussion, in fact, raises the quandry whether the role of philanthropy is to save the city from a damaging collision of its two cultures or to minister to individuals not served adequately by the political and economic processes. Skipping the activist temptation to put those goals in apposition, it is clear that the lubricant of private help along the grinding extremes of need can reduce social and political tensions and thus speed progress toward the larger solutions – the elusive accommodation of Black and white.

Along with the inevitable frictions of profound cultural change, Atlantans both Black and white share pride, however separately, in a dynamic of the seventies that though different and greatly dimmed from the sixties, is one many a Yankee city could covet. If Atlantans do not, either in retrospect or prospect, totally agree with the dictum that freeing a people is "the most dangerous of all philanthropic enterprises," they are likely to concur that it is the most arduous.

THE ANATOMY OF GIVING

CLEVELAND: FAINT HALO AROUND A SOLID TRADITION OF GIVING

Robert S. Merriman[†]

One evening in 1969 Walter Cronkite in his man-for-all-seasons voice described how the Cuyahoga River had actually caught on fire as it oozed through downtown Cleveland on its way to doomed Lake Erie. Carrying on its surface a volatile cocktail of effluents from the valley, the river had burst into flame.

Six years have passed and the river still rolls noisomely around the corner past Jim's Steak House at Collision Bend but it no longer burns. Even doomsayer Barry Commoner admits that the eutrophication process of Lake Erie has been reined in, and possibly permanently reversed.

That this was accomplished in so short a time, although at great cost, breeds a confidence that other ills of society as they manifest themselves in Cleveland could also enjoy substantial redress under the twin stimuli of government and private energy. But such is not yet so. The problems of abandoned housing, deteriorating reading scores, rising crime and swelling welfare rolls are facts of urban life that shout for help locally, but seem so insoluble that they receive only token attention from either government or private funding sources. One local politician put it: "If you took all local private charitable funds for one year and applied them to one basic societal problem in Cleveland, you still wouldn't solve it."

On this sadly pessimistic note, it would be easy to conclude that the state of American society is so bad and its worrisome outcroppings in Cleveland are so obvious that a "Why bother?" attitude would be justified. That would not reckon with the time-honored "doing for one's neighbor" that is so apparent.

The origins of charitable giving in Cleveland are as shrouded in history as the steel mills in the valley are softly hidden in a smokey May-morning mist. A sense of responsibility for one's neighbor came west with the first settlers from New England, and became deeply rooted and nurtured as a visible Puritan ethic. Even then it had its segregationist overtones in the form of the village pest house and home for wayward girls, but the town fathers recognized that a stable community would hopefully result from tithing to the church and through charitable activities involving both the church and wealthy individuals.

The Huntington Foundation, established in 1888, was the first of hundreds that have subsequently been initiated to deal directly with charitable giving in Cleveland. Its grants have been primarily in vocational education, and it is typical of sources of funds that were established by wealthy, successful, Protestant, Yankee entrepreneurs. J.D. Rockefeller, Sr., left his mark on the Cleveland area through the turn of the century, and significant among his influences was the strong tradition of charitable giving. He may be better known through the rest of the country for handing out shiny new dimes, but in Cleveland he personally refined the Puritan ethic and set the pattern. He pushed his peers into sitting on the boards of charitable agencies; he insisted that business and industry had a responsibility to the community other than solely to make money; and he matched his words with large sums of money for public benefit that encouraged others to follow suit.

John D.'s record in charitable giving was duly noted by the emerging Jewish community, and they, too, carried on the tradition by setting up foundations, and by becoming involved directly in charitable activities they match Yankee toughness with Jewish pragmatism.

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Even professional business managers coming in from the outside soon find their place in the traditional philanthropic womb, and an old charity hand passes the torch by demonstrating the role – and tapping the newcomer for his favorite agency.

Today the collage of private charity in Cleveland is greatly disparate elements. Central to any broadly supported project is the old Protestant money, but of significant importance are the newer Jewish and Catholic community funds. Labor is often strongly involved, especially in United Torch projects, and approval from the business community can often spell the difference between "go" and "no-go" for any major undertaking.

With the evolution of funding sources, there has been the development of ethnicity within the city itself. Successive waves of immigrants drifted west along the canals, railroads, and turnpikes. They settled near the banks of the Cuyahoga, lured by the promise of good jobs in the mills and factories belching smoke and flame 24 hours a day. A two-hour "Nellie Bly" by cab around Cleveland touches nearly every major tribe in this world – Appalachian, American Indian, Puerto Rican, South American, African, every European country from Spitzbergen to Piraeus, and all the hues of Asia from Afghans to Japanese. Some 75 distinct groupings have been identified, shattering again the myth of the melting pot peddled so righteously by both politicians and poets in the chapters of American history. The artifacts and cultures of these tribal groupings are evident throughout the city in synagogues, schools, athletic clubs, ethnic libraries, specialty shops, churches, veterans groups, community centers, and neighborhood bars. Fiercely independent islands of humanity mark the bounds of their territories by a park, railroad tracks, a university campus, a town line, the river or sometimes the center stripe that runs the length of a major thoroughfare. Each group contributes to the color, diversity, and strength of the community – but each compounds the social problems that beset any metropolitan area by demanding special attention to its cultural needs, and by refusing often to cooperate with neighboring communities.

In spite of this ethnicity, there are blurrings of sovereignty as Appalachians, Puerto Ricans and southern Blacks have moved into the city to fill the vacuum left by the departing Jews and Europeans. This ebb and flow has taxed the ingenuity and flexibility of politicians and philanthropists. In every major shift, those individuals who remain behind often become tragically isolated and suffer abuse, discrimination, and cultural deprivation. The decisions of private funding sources in these situations reflect fragmentation and frustration, but the corrosive effects of transition are sometimes eased by support of neighborhood centers, senior citizen groups and recreation programs. As non-member elements move into an ethnic territory, foundation money has often supported open-housing organizations, easing the frictions by supporting dialogue and involving community leaders in neighborhood improvement programs.

These population shifts cause social planners pain, but as one local observer remarked: "Ethnicity in Cleveland is trouble, but without the glue from this Mulligan stew the city would burst like a bubble."

The growth of public welfare since World War II has had a marked impact on private philanthropy. Social service was at one time much the province of the private sector, but big government and basic social changes made that notion obsolete. One social service director in Cleveland explained it: "The fat cats knew it wouldn't look good to let poor people starve, so they invented welfare. If this is their answer to the redistribution of wealth, they better go back and have another meeting, because this won't make it." Black rage, as manifested by the Hough Riots of 1966 in Cleveland, was bowdlerized by further welfare in the form of federal alphabet soup – O.E.O., H.U.D., C.E.P.T. and L.E.A.A., among others. Many of these bureaucratic inventions bought off the leaders with treacly jobs, thus muffling any new cries of urban frustration. Community development in Cleveland can be described as lethargic at best, suffering from a scarcity of lower echelon leadership. Both the political sector and private foundations are aware of this shortage and are taking the first steps to confront the issue in a joint project to identify and train new minority leaders.

In addition to its role of keeping the lid on inner city communities, federal funding in other ways has reflected dramatically the rising expectations of people. Health care was once the responsibility of the private sector, with capital drives building hospitals, old folks homes, rehabilitation clinics and out-patient facilities, examples of which are still scattered around the Cleveland area. Annual public drives provided a major portion of the funds needed to subsidize indigent health care needs, supplemented by in-house solicitations of fraternal orders, churches, and ethnic groups to care for their members. Foundations played a decisive role in health care in capital and annual support, and individuals established charitable trusts "to pay for hospital care in unusual hardship cases in any recognized hospital in Cleveland." Much of this has changed since World War II. Private subsidy of hospital care is virtually extinct; Washington has "intruded" (to quote the hindsight reflections of hospital administrators) in hospital additions with Hill-Burton funds; welfare payments comprise a big part of the budgets of after-care facilities; private health agencies such as Heart and Cancer no longer call the shots in research and development.

The transition from private to public funding often has its friction. Ceilings on welfare payments seldom recognize true costs, and reimbursements can take months to percolate through the bureaucratic filters. Even more exasperating, however, are the sudden switches and wild swings of federal support in research, experimental projects, and direct payments. Public expectations and federal support of dental health care in Cleveland more resemble two yo-yos in opposing arcs than a rational approach to a national problem. Outside of the health field, federal U-turns and detours cause havoc in planning and implementation on the local level in day care, job training, programs for the elderly, education, and group home subsidies. The confusion underscores, too, the inadequate arithmetic growth of private sector funding as it attempts to meet the geometric growth of public needs.

Yet, in spite of the fact that federal funding is admittedly bureaucratic, heavy handed, and cumbersome, both public and private agencies have learned to bait their traps for it with patience and skill. They make sure that Cleveland gets its share – and any other region's share that isn't smart enough relentlessly to track it.

"George Forbes calls the shots locally, but he's a consummate actor. Just when you think he's finally convinced by the logic and good sense of your argument, he'll turn on you and cut you to ribbons. There are other more predictable political figures available, and you'd be better off to spend your time talking to them," a seasoned City Hall watcher admonishes.

In reality, Mr. Forbes is able, articulate and intelligent. He has all of the skills of a successful politician who captured the presidency of the City Council within a brief span. "As an attorney and the son of a Tennessee sharecropper, I've seen both sides of the fence, and I know what it's like," he said. He admitted strong pressures from Black constituencies to put all the city's energies and money into neighborhood redevelopment, but he said, "Without a strong downtown business community, this city would be in real trouble." He claims that his, and the city's, relationships with business and industry are strong, and he boasts a respect for and good communications with the Cleveland Foundation. That's something new.

Cleveland's private philanthropy is inextricably tied to the need for good relations with the political process. Many grants are made in the region with a conscious effort to evaluate their impact on political leaders and to check with the appropriate appointed authorities. The Huron Road Mall behind Halle's Department Store is a good example of public-private partnership that turned a drab downtown street into a quiet and colorful oasis for strollers. "This has been a fine project," George Forbes said, "and foundations and the business community had a lot to do with getting it done." What he didn't say was that if the city hadn't agreed to alter the street, nothing would have happened. There are countless other examples throughout the city wherein the proper people have been consulted, including projects within the parks system, public education programs, housing rehabilitation, transportation for the elderly, community-based group homes, and recreation programs, among others. Local foundations' staff people are trained to look for gaps in the social system and to do something about them whenever possible. Again, this often involves touching base with political authorities to determine the availability of ongoing funds once the demonstration period is over. On occasion a direct partnership is entered into with a government agency. This involvement in public policy has its risks, but any foundation worthy of the name has long since come out of that closet. Homer Wadsworth of the Cleveland Foundation observed, "Foundations are part of the community too. Neither element has a monopoly on resources or expertise. They need us and we need them, and that's good for Cleveland."

Cleveland's leaders in business and industry inherited and carried on the tradition of encouraging and directing social service activities. This tradition survived the transition of individual and family management of corporations into the current era of professional management. Even local managers of absentee landlord corporations such as Chrysler and General Motors "pay their dues" as directors of United Torch and other agencies. The result is a busy cross-fertilization of talent, facilities, and money. Very little of any significance gets done in private social service without one or more of the "right" people on the board. Agency directors are rated as much on their ability to recruit and use business executives as they are on actual job performance. As one agency director wryly admitted, "The whole thing is like a private club. These business leaders dole out the money through United Torch, corporations and foundations, then sit on the boards of receiving organizations and direct how the money will be spent." Another director tagged it a ritual dance, with both funding sources and agencies being led down occasional blind alleys through the whim or uninformed conviction of decision makers.

In spite of a faint halo that sometimes hovers about those involved in charitable giving in Cleveland, there is also a counter-balancing aura of Rotarian babbitry and thinly veiled self-interest that can shift the halo askew. The line between downtown renewal and self-interest must be seen through one's own eyes. One local agency director has a framed quotation on his wall that says, "Business is much more comfortable doing good if it is also making money." The overlapping boards are there for anyone to see. Overt log rolling, and how much it subverts the purity of the giving process, are much more difficult to fathom.

One long-time observer put it, "Sure there are overlapping boards, but with the new spotlight on accountability and right-to-know, there's too much at stake in personal reputations for anyone to get involved in a bum decision if he can help it." Business executive involvement in social service in Cleveland is too deeply rooted to wither in the hot blasts of a few vocal dissidents, and these same dissidents would shudder at the alternative of one-man-vote that might democratically govern the process. The control of decision making in private philanthropy and social service by a comparative handful group of people mirrors the larger society. There is evidence of some sharing of this power with groups once excluded, such as Blacks and women, but to those impatient observers on the outside, the loosening of the iron grip is agonizingly slow. One thing is certain – if the iconoclasts succeed in divorcing Cleveland business leaders from the decision-making power in private philanthropy, they had better have at hand an alternative system that can enlist more money, implement it better, and provide more diversity than the system they now have.

Private philanthropy in Cleveland is enormously dependent upon the sense of commitment, good will, and sincerity of key individuals. John Rosel of Cleveland's United Labor Agency said, "If we get lip service from a company in our United

Torch drive, then employee contributions reflect this attitude, but if we get genuine support all down the line, then we can count on real fair-share giving." Herb Strawbridge is the president of Higbee's Department Store, and a reckoned pacesetter. "We encourage our employees to volunteer in social agencies, and we know of at least 250 different organizations in which they take part," he said. His company has a policy of allocating 2.5 percent of its pretax earnings to charitable giving in the Cleveland area. "Actually," he said, "it ends up at about 2.7 percent, but that's not all. We give away at least that much more in in-kind services through the use of various kinds of expertise and facilities throughout the store – display and fashion, for example, and home furnishings. We've always been this kind of store, and we hope to continue the policy." When asked what a continuing recession might do to his contributions policy, Mr. Strawbridge replied, "This is the thing that really has us worried. If inflation continues at 5 percent or more, and if the cost of borrowed capital remains high, we'll surely have to curtail our contributions."

Mr. Strawbridge feels particularly good about a nonprofit regional planning group that was initiated and is jointly funded by Higbee's, Ohio Bell Telephone Company, and the East Ohio Gas Company. He credits this Northern Ohio Urban Systems Research Corporation with compiling the data that recently tipped the scales in positive congressional action to establish a new national park in the upper Cuyahoga Valley. Although others dispute any key role for the joint planning agency, the fact is that the planning agency was involved, and it's difficult to see how bareknuckled self-interest of any one of the three companies had anything to do with the creation of a peoples' park 35 minutes from downtown Cleveland.

Few social agencies in the Cleveland area have not benefited from some foundation's grant. When Mike Durmit of the Ohio Conservation Foundation was asked why he moved from Columbus to Cleveland he replied, "Because this is where the money is. People know how to get things done up here. Three Clevelanders decided that environmental concerns needed a strong, people-oriented advocacy group, so they enlisted $250,000, including $150,000 from two Cleveland foundations, and that's the basis for our support."

Mike's story is not typical of most agencies in the area, however. There have been perennial favorites, including the universities and hospitals, the Cleveland Orchestra, homes for the aged, the Urban League, and Vocational Guidance Rehabilitation Services, among others. Generally, comparatively small grants help to provide a service that can't be funded from other categorical sources; they sometimes help to demonstrate the need for a particular service; they can provide a forum for gaps in social action; or they can provide direct support of an agency's programs.

The National Council on Foundations in New York thinks that a foundation should seek professional staff when its annual grants are in the $300,000 range. The theory is that up to this level most foundation trustees can do the job if they work hard at it, but that beyond $300,000, expenditures for staff cannot only be justified, but are probably essential if the foundation is to be responsive to its public trust. For a variety of reasons, many foundations do not follow this advice, and examples can be found in Cleveland. Several devices are used to get around the dereliction. Some private foundations' trustees presume upon the knowledge and patience of staff of other foundations; about 20 foundations in the Jewish community meet every other month for lunch to exchange information; and the Greater Cleveland Associated Foundation provides a vehicle and staff to receive and allocate funds from other foundations. In spite of these devices, some professional foundations' staff people in Cleveland believe that many grants continue to be made to traditional, conservative, noncontroversial kinds of projects and institutions, not always because the trustees involved are older, white, conservative, well-educated males, but also because they have little knowledge of and no communication with newer, more complex and less comfortable kinds of projects. This is especially true of inner city projects and those having racial or socially controversial overtones.

A second foundation plateau or critical mass presents itself when annual grants get into the millions. At this point, a foundation manager can afford to search for highly qualified experts in specific fields – urban affairs, health care, education, geriatrics, criminal justice, women's interests and other categories. A foundation then can evaluate in depth its entire operation and initiate as well as respond, both long range and short term. This happy plateau was reached some time ago by the Cleveland Foundation, but Homer Wadsworth has a basket of kittens on his hands. He must guide them with silken cords; he has to feed them regularly; and he must keep them busy exploring new territory while nurturing good reasons for having them stay near home. The resulting benefits to social service in Cleveland are real, immediate, and redolent. Mr. Wadsworth's position is thus the envy of many foundation managers near and far.

Individual contributions to charity in the Cleveland area make up the great bulk of all private support. These funds have high visibility when administered through United Torch, Catholic Charities, and the Jewish Federation. Annual fund drives involving these agencies require armies of volunteers and staff.

The annual United Torch drive is highly organized with matching commitments from labor and management. About $23 million was raised last year, which compares with the $16 million raised in St. Louis in 1974, a city of about the same size. One hundred and sixty different agencies are supported in part through this solicitation. To date, additions to the list of Torch agencies have been possible because of steady growth in the annual solicitation. However, with recession and Torch's historic reluctance to provide decent burials for old agencies, the outlook is not optimistic for larger allocations to existing members and additions to the club.

Catholic Charities' goal for the spring of 1975 was $2.6 million. This will fund its various agencies in northeastern Ohio, including homes for the aged, Hope House for recovering female alcoholics, and a variety of other services. It solicits primarily for and from Catholic families, but it helps a number of people outside of the Church, and in turn receives some support from outside of its own congregations.

The Jewish Federation conducts a highly successful annual fund drive among its approximately 80,000 constituents, and this year it raised $16.4 million. Of this, $5 million goes for funding of local Jewish social agencies, the balance for "overseas support." Henry Zucker, the federation's executive director, has advocated an endowment trust within and for the benefit of the federation. Several millions are now in hand for this purpose. Outside of the Jewish community, there are some who consider this to be a shortsighted isolationist policy, not worthy of the Jews' former sense of commonality. There is ample evidence that the common cause of minorities that Jews once shared with Blacks in Cleveland has changed substantially since the mid 1960s. The Hough Riots of 1966 were particularly shocking to Jews who thought that their liberal espousal of Black progress would entitle them to at least a modicum of acceptance and understanding. When Jews were looked upon by some Blacks as no better than honkies, the break became pronounced, and it has never been healed satisfactorily. As part of this transition, Mount Sinai Hospital is now an island in the Black district, and there are increasing pressures to move it to the far suburbs where its constituents have fled.

The United Labor Agency is a unity group representing about 250,000 regional members of the A.F.L.-C.I.O., Teamsters, and the United Auto Workers. It shares space with United Torch and helps solicit from union members 60 percent of United's total collections. Union members sit on social agency boards and help determine policy at the United Torch board level. Organized labor raises other funds through and for its members for special services, including kidney dialysis, counseling in a variety of forms, retiree activities, a nursing home and similar programs. Its members and families primarily are served, but non-members also benefit. There is a clear political cleavage between county and city, and this sense of disunity trickles over to the generation and allocation of joint funding such as United Torch. Neither element can or will be satisfied completely that it is being treated fairly. In other cities this friction has helped to initiate Black United Funds of various types. So far, there is no organized effort to get this done in Cleveland.

The Greater Cleveland Council of Churches is the social action arm of the Protestant churches of the region. It gets involved in housing rehabilitation, lobbying for higher welfare payments, raising money for emergency food programs, and a variety of other actions. Its member churches grumble about the council's spending too much time and money on inner city problems, but such carping seems to have little impact.

In total, approximately $10 million is raised for secular social service work by the combined efforts of the Greater Cleveland Council of Churches, Catholic Charities and the Jewish Federation. Further estimates indicate that about 20 percent of this figure is spent for social service within the inner city.

In addition to all of these organized efforts, there are also great numbers of small, annual individual gifts to churches, hospitals, garden clubs, art and culture organizations, retirement homes, and countless others.

The importance of Cleveland's TV, radio, and newspapers in the philanthropic process may be more apparent than real. In items of direct soliciation for specific projects, the newspapers especially are prone to engage themselves in short-term, unsophisticated emotional issues. Their inability to conduct an expertly staffed pre-grant analysis sometimes causes post-grant woes, and once a spur-of-the-moment solicitation for a particular cause is launched, the grant in effect has been made, with only the need to apply the bottom line number and write the check. The problem isn't a lack of good reporters, but rather one of priorities – a charitable act is designed to provide a positive public image, and not to sell newspapers.

By far the greatest service rendered by the media in charitable giving is the ability to give visibility and publicity to any program of its choice. This is the power to withhold news coverage, to damn with faint praise, or to provide continuing and unqualified support. The media can arrange seminars and talk shows, provide photographers and reporters, solicit audience participation, and commission documentaries on complex social issues.

In addition to the more visible agencies supported through public solicitations, there are literally hundreds of obscure organizations designed to serve specific constituencies or to carry out a particular program – historical societies, library associations, hospital auxiliaries, veterans groups, private schools, ethnic organizations, environmental entities, and many others.

Henry Zucker of the Jewish Federation reports that for every dollar contributed to charity, a rule-of-thumb factor value of $2.50 can be applied as an aggregate of volunteer services. With such a great variety of activities from which to choose, no one who wants to volunteer in Cleveland need feel left out. Voluntarism is allegedly decreasing in some sections of the United States, but the consensus is that the concept is at least holding its own in Cleveland. There is a growing tendency toward more working wives, thus there are fewer young women entering the field of voluntarism. Militant women's groups denounce female voluntarism as a male ploy to keep women out of the job market, thus denigrating its social acceptability.

A further complicating factor is the growing tendency to charity-hop; a woman may counsel alcoholics in January, stuff envelopes for a health care group in March, visit in nursing homes in May, be an aide to the retarded in September, and push the hospital cheer wagon in November. This adds a cost factor to the reruiting and training of volunteers, and it also underscores the need for a more sophisticated use of female volunteers: activities must be designed in such a way as to allow them to become a meaningful part of the community, to steer and shape its evolution. Young people especially must be given opportunities to sit on boards, and to enter into the decision-making process. Finally, conscious efforts must be designed to allow volunteers to earn course credit toward a degree, wherever possible. It all adds up to sharing the power, and hopefully those in Cleveland who are in a position to bring this about will do so before their vital tradition of voluntarism goes into a irreversible decline.

By far the greatest problem in voluntarism is racial – whites are unable to work in the Black community in any numbers because of fear and cultural differences, and Blacks are not steeped in the notion of voluntary action. This is but the most obvious of problems in the field of voluntary action in Cleveland, and the continuing strength of many charitable organizations depends upon an honest confrontation of the issues.

An on-site review of the activities of funding sources in Cleveland is enough to lull the most convinced skeptic into believing that all is well in charitable giving in the region. The good feeling lasts well beyond the written record, and through interviews with carefully selected operational people. That veil begins to lift a bit in talks with some of the more pragmatic and despairing leaders in and out of organizations, and when visits are made on St. Clair, E. 55th, Cedar and E. 105th, then across town to Lorain Avenue, over to Detroit Avenue and back to the Public Square. Such discussions and a one-hour tour do not constitute course credit for a degree in urban affairs, but they do reveal some excellent opportunities for charitable activities and the need for a basic reappraisal of the power structure in Cleveland. "The inability of people to effect a more equitable distribution of wealth and power lies at the heart of ills in American society, and manifests itself visibly in Cleveland."

Abandoned housing in Cleveland points up a national disgrace that will require a combination of government and private funding, plus people-sweat, to slow the process and hopefully turn it around.

Police oppressiveness has been well documented. Its entrenched power will be difficult to root out without emasculating the organization's effectiveness and humane elements. Better training for promising middle-echelon officers; opportunities for long-term community level dialogue, the early retirement of inflexible officers, with the possibility of the business sector providing them short-term interim jobs – some Cleveland observers feel all of these would help the image of the police and improve the department's effectiveness.

The public school system is graduating students unable to fill the requirements of Cleveland's rapidly changing job market. A substantial number of high school students are psychologically unable to take advantage of a curriculum that is essentially middle-class oriented. But few see more relaxed open classroom regimen as the answer for most Cleveland schools. Betty Cope's educational TV station is able and willing to cooperate, and the business community can be called on to play a more active role in providing training with up-to-date equipment. Educators argue that if more vocational education is provided, the business community will have to hire as many graduates as possible, and the balance will have to be absorbed in some new form of national service. Cleveland knows it cannot afford to have up to 50 percent of its 18-to-25-year-old youth idle. Black people comprise 48 percent of Cleveland's population, and a substantial portion of them are in desperate need of nutrition education and better diets to combat obesity, arthritis, and hypertension. But first-class ambulatory medical care in the inner city is a rare commodity. The new Glenville Health Association shows promise, and should it be successful, it can be duplicated.

The 40,000 Puerto Ricans crowded mostly into the near west side are a desperately oppressed minority. They are written off as unreachable, leaderless and fragmented – exactly how the Black community was described not too long ago. The search is for long-term programs, with patience and a willingness to go more than half way, that can help these people live with a new culture without losing their own.

Opportunities for minorities in Cleveland management are still distressingly inadequate. Five years ago the Blacks in Management Club had five members. It now numbers 22, hardly representative of the Black population, or of its training abilities. White junior executives are sent to graduate programs at Harvard and similar institutions, but few promising minority employees are given equal opportunities.

Nor does Cleveland yet provide good opportunities for well-qualified working women. The city is the loser, because sharp young husband and wife teams are opting for other more enlightened markets. A census of almost any major or middle-echelon business establishment reveals that the real decision-making power is in the hands of well-educated white males.

In spite of the number and variety of Cleveland social agencies that receive grants from private philanthropy, some of these don't get their share, and there are other perhaps equally deserving groups that never cop a grant because they don't know the system, they are inarticulate, or they lack an advocate-spokesman. There is no grantsmanship office that could counsel groups on getting their proposals together so they could compete with more sophisticated groups for the available public and private funds.

There are great numbers of scholarships available in the region, but access to information concerning their availability is neither centralized nor sophisticated.

First class legal service is still substantially the privilege of upper-middle-class and wealthy people. The Bar Association and its individual member firms still have time and the expertise to usher in a new era of legal service for a greatly expanded clientele.

A vast amount of wealth that was generated within Cleveland has migrated to the suburbs, along with its mortal custodians. Many feel that this capital rightfully belongs back in the city, where responsible and representative trustees could put it to work for the benefit of the city, and of the region.

Community Development Act funds now being allocated to city governments for their disbursement represent an enormous amount of power and give opportunity for citizen input on public policy. Forums are needed to encourage groups to organize and become knowledgeable in dealing effectively with this new political reality.

In spite of the fact that Cleveland ranks second in the nation in per capita library usage, there are an estimated 26,000 functional illiterates in the city. Educational TV, retirees, and unemployed teachers have not been effectively mobilized to deal with this problem.

There is great dialogue and some quiet breast-beating in corporate board rooms concerning the individual companies' posture and commitment to social responsibility, but there is often little action and even less consensus among Cleveland companies. "New social orders require new concepts, and the time has arrived to hire people who can meld the expectations of society with the new corporate structure, and blend this into a regional concept that can help to guide less flexible corporations," says one observer.

Regionalism in Cleveland is about as welcome as poverty. The more enlightened leaders, having learned that the city and the county are inextricably linked together in a social system, are aware also of a responsibility to establish forums and to support continuing dialogue aimed at educating both city and satellites concerning the hard trade-offs critical to common progress.

Art and culture as they are enjoyed by affluent Cleveland suburbanites are not made available in any appreciable degree to lower-income and especially inner-city people. There is great concern about the ability of major cultural organizations in the city to survive. Most groups are hanging onto the hope that Washington will bail them out before the stage roof falls in. Some outsiders see the tragic fallacy in this forlorn hope, that because of the extremely narrow clientele of these organizations, there is not national consensus to save them, and recognize that their respective boards have a king-sized job on their hands to reorient their activities to serve a greatly enlarged clientele.

Cleveland is well known for its necklace of municipal parks, but in the last 10 years this jewel has become less sparkling as the city's available funds for park purposes have diminished. There is yet no audible dialogue that might lead to an eventual regionalization of some or all of these parks for the benefit of a wider and larger clientele.

The Greater Cleveland Associated Foundation has never fully lived up to its original goal of directing foundation attention to the problems of the inner city, primarily because foundations were unwilling to delegate much or any of their power to this staffed entity, and also because the Associated Foundation was reluctant to demand such a commitment in its founding instrument. But through its merger with the Cleveland Foundation, much larger fund sources have been given a thrust toward the more imaginative community efforts pioneered by GCAF. Since there are many small foundations that can't afford staff, and whose evaluation techniques seldom transcend those of a family member engaging in a pleasant hobby, the Cleveland Foundation assigned a full-time staff member to serving other smaller foundations. It further has the opportunity to encourage the establishment of an independent agency that can provide grant evaluation services for its member foundations. Bank trust departments speak of being especially aware of the need for this service, and might very well form the nucleus for a nonprofit corporation.

The power of the charitable process in this northern Ohio region lies in the reassuring human element stamped indelibly on the countless individual acts of charity that make the whole. There is a dominant elitism, reflecting vestiges of a discredited paternalism. There is questioning of the narrow base of this decision-making structure, and even rumblings of some strange, new and wonderful Trojan Horses that have slipped quietly into elegant board rooms. The states of both the economy and the political system are such that they have a dampening impact on private philanthropy in the region, but these negative influences also have afforded funding sources their greatest opportunities.

The impact of the Cleveland Foundation and of some of the more active private foundations is plainly visible throughout the area. They demonstrate a refreshing willingness to take a chance while reflecting a true flat-landers conservatism that shies away from chipping at the pillars of the temple.

The mood of Cleveland mirrors the insecurity and anxiety that permeates the nation as a whole. But no one is selling out and moving to Ontario. Instead of dark despair, there is a dogged determination to try just one more time. Many of those who are living at a bare subsistence level are still abiding for the most part by the rules of the system — but just barely. Private funding sources in Cleveland hear about and see clearly the need for a reorientation of national priorities, for a more equitable distribution of wealth, and for a genuine sharing of the power.

If private philanthropy is a last hurrah of the free enterprise system, historians of the future may very well identify Cleveland as having been a last visible landmark.

THE ANATOMY OF GIVING

PRIVATE PHILANTHROPY IN DES MOINES

Calvin Kentfield[†]

Mike Scione, who runs a pizza bar on Tenth Street in Des Moines, Iowa – just around the corner from the Bachelors' Bookstore that costs fifty cents to get into and sells photographs and memorabilia of other kinds of love – Mike loves his son, also named Mike and the spittin' image of his father except that his moustache is black instead of gray. And Mike loves people in general. "Sure," he says, "I give to people. I don't care who they are. If I've got it and they need it, I give it to 'em. Christ!" And the sad-eyed barmaid at the Hotel Fort Des Moines, who wants to go back to Virginia to visit her mother, says, "I know there are people who need help, I've seen them. I give because they need it," adding, to change the subject "I'm just not in a dishwashing mood tonight." Such people practice philanthropy in the original Greek translation, "love to mankind" – often change the subject out of shyness or modesty while people who don't give to other people, either personally or through organizations or institutions, are often belligerent and defensive. The waitress at the Swizzle Stick which does a heavy lunch and martini business in downtown Des Moines, said loudly, defiantly, "I don't give to nobody, charity begins at home. If the government took over all the charity, there'd just be more graft and corruption and more taxes. I have no sympathy for people who can't take care of themselves."

Some people in Des Moines feel that it's useless to give to an institution or a charity fund drive such as United Way or the Heart Fund or whatever because all the money gets siphoned off on the way down through the organization. Or they've had memorably bad personal experiences with charitable bureaucracies. Terry Glanville, a sales representative, said, "I'll not give Red Cross or United Way one thin dime. I was in the service and I got stomped on by the R.C. (Red Cross) for ten years."

Dave Brockerton, a young man from a nearby town who was in Des Moines attending one of the city's non-stop conventions (Real Estate Dealers, Independent Insurance Men, Governor's Conference on the Aging, Furniture Salesmen: "Welcome Iowa Furniture Salesmen"), Dave Brockerton gives some of his money to the Cancer Society because his mother died of cancer. "It *does* go for research, so it's not wasted," he said. "But I don't give a nickel to that United Campaign unless I'm forced to."

So there's the rub. It makes an ordinary person sore not to be able to have faith in the institutions that his money passes through, but a sorer point, a more abrasive rub in loving mankind is to be forced to.

A local furniture saleman said, "You know, I give money to United Way because the boss up in the office keeps a list and the pressure's on. I really hate the idea. If I knew where the dollar was going, if it was not going out of my pocket into somebody else's – The money goes through too many hands –" (Mary Mannasmith, who works for United Way in Des Moines and who has a master's degree in social work from the University of Iowa, explained, quite logically, that to run an efficient organization you must have a competent staff and to obtain a competent staff you must offer a reasonable salary.)

As for pressure – Robert Burnett, president of Meredith Corporation, a major national publishing firm, said: "We'd never permit a supervisor to say to an employee, 'Look, you give to United Way or else,' but we do run a vigorous campaign and with some success. Our non-union employees respond very well, but our union employees pretty much ignore the whole thing," adding, "I don't know why that is."

[†] The late Mr. Kentfield was a novelist and free-lance writer.

An executive at Younkers, a department store chain, said, "We're very strong on United Way here because it's the cheapest way of providing general services. We don't *pressure* our employees to give. We up here on the fourth floor [the executive offices] have our own guidelines, you may be sure, for ourselves, but for the man selling shoes or the girl in cosmetics, we have meetings and show the United Way film, and we announce our annual goals as a corporation and different departments may set up competitions among themselves, but I don't call that pressure. We give everyone a pledge card and we do insist that all the cards be returned. If one says zero, one of us up here might pay a visit to see what the beef is and try to straighten it out, but nobody *pressures* anybody. Now I know *some* companies – "

And Walter Walsh, public relations executive for Bankers' Life, the largest insurance company west of the Mississippi River, said, "Unlike some companies we do not pressure our people to give to anything. We have some guidelines, of course, but we don't ask what our people give. I know an executive here who gave ten dollars while his share would be more like four hundred, but the only reason I know that is because he told me.

"The rich people in town tend to be niggardly, yet the United Way here has one of the best records in the country. Bankers' Life is the largest contributor to United Way, yet they always say we don't give enough. Wealthy people, individuals or families who have made themselves into foundations which, of course, they have to do for tax reasons, they give money but they don't like to. Most of the money is corporate contributions. I'm president of the symphony, and the most any single individual gave to the orchestra last year was $500 and he was easily rich enough to give $15,000."

In the restaurant of the new Embassy Club, Maddie Glazer said, "Any damn fool can give away money. That's what my father always said. But he said, 'To give it away intelligently so its results don't become a burden to the community is a hard thing to do.'" Maddie Glazer was a Levitt. The Levitts are a Jewish financial family, and being rich and Jewish in Des Moines is, indeed, slightly different. The community of which the Levitts are a part tends to be very low key and very generous particularly to hospitals and colleges. The Levitt base is Dial Finance which, so the rumor goes, is quitely considering a merger with Chase Manhattan, a partnership that, were it to come about, would control incredible amounts of money in this country. Their new Financial Center is by far the tallest building in Des Moines (the new Ruan Center will be considerably taller but it's still abuilding) overpowering even the golden domes of the state capitol which resides on a substantial hill. The Embassy Club is on top of the Financial Center and Maddie calls it her "baby" and so does everybody else. She found the architect and the designer and went around personally to the private foundations to scurry up the money from potential members. Over martinis at her club, she said, "First of all, anonymity is long gone. When people give money these days, they want other people to know it."

And over at Bankers' Life, which did not chip in for Maddie's "Baby" because they have their own executive dining room, Walter Walsh said in a slightly subtler way than Maddie Glazer, "We've pledged half a million to the new downtown theater and plaza," adding that because they were the first to give and led the way for others, they had reserved the privilege of naming the plaza. He laughed, "We wouldn't go so far as to call it Bankers' Life Plaza, we'd be subtler than that, we'd name it after our founder probably. Now I hear, though, that one guy will pledge a million dollars if he can name the plaza, and I know *he'll* call it his Plaza."

The Gardner Cowles Foundation has pledged a million and a half, so the final title for the plaza is anybody's guess. The Cowles Foundation is an adjunct to the publishing corporation that has a newspaper monopoly in Minneapolis and Des Moines and a vast readership throughout the Middle West. Richly successful and professionally prestigious, the morning *Des Moines Register* and the afternoon *Tribune*, commonly referred to as the R&T, have, in the words of one corporate executive, "all the attributes of a cold-blooded creature, incapable of noble enterprise and with great potential for capricious hostility."

(At the same time, it's the head of the Gardner Cowles Foundation (the R&T), David Kruidenier, Jr., who, under the aegis of Richard Olsen, the present mayor and an agent for Bankers' Life, is twisting all the tax-exempt arms in town to come up with the nine million needed for the downtown theater and plaza. "Some years ago," Owen Fleming, who is president of the Des Moines Dressed Meat Company and a big, overflowing man in his late forties with a honed sense of humor, said, "after we had all got together and created Gray's Lake City Park, we changed the name of the road to the airport from S.W. 21st Street or Airport Road, as it was usually called, to Fluer Drive because of the fruit trees in the Arboretum across from the park that flowered so beautifully in the spring. About that time Mike Cowles married Fleur who took a lot of the Cowles money and started that disastrous, crazy magazine *Flair* with all the holes in it, and she *always* claimed that the drive was named for her. The Cowles people have been noticeably diffident.")

That's a long parenthesis, but Walter Walsh at Banker's Life went on:

"Sometimes we publicize our contributions and sometimes we don't. We're a true mutual company, not exactly a cooperative but owned by the policyholders and since we don't contribute to projects in, say, Seattle or San Francisco or Denver, we don't think it's in our interest to tell the people out there how much of their money we're spending in Des Moines, but here we like people to know about it.

"I think business men have been bum-rapped by the public in general, and I think they tend to bum-rap themselves. They're generally more altruistic than they realize."

Altruism, unlike philanthropy, is not an ancient word. It derives from a legal-philosophical term used in the nineteenth century by Auguste Comte, father of Positivism, and it means "welfare of others" as opposed to egoism and selfishness. "Yes," Walsh said, mulling over his words, "I think we're much more altruistic than we may care to admit."

Tom Urban (his brother Timothy is on the City Council and is a champion of downtown redevelopment) was mayor of Des Moines before Richard Olsen. In his early forties, he's vice-president of Pioneer Hi-Bred which is in the field of agricultural genetics and was founded back in the days of the Great Depression by Henry Wallace. "I suppose the reasons people and companies give their money and their time and their services," he said, "goes back to the European tradition that people that had money made gifts to those who didn't. Largesse. Of course they usually made quite a show about it. Here it's a tradition and a responsibility. Our company makes money out of the community so it's our obligation to put some of it back into improving the community. An awful lot of people don't, of course. There's so much untapped money in this city. It's very hard these days to get people excited in a positive way. They'll get excited in a *negative* way, but – These days there's such a distrust of institutions of all kinds.

"Everybody has their pet project. We gave $500,000 to the downtown theater and plaza. O.K. that's Dave's [David Kruidenier, Jr.] pet project. Well, you know, Dave comes to me and says the theater downtown will help beautify the city – and downtown certainly needs some help – so we write a check, and then when *we* have a project, then *they* write a check. Private money has to do, and not all private money here does it, not by a long shot, but we ran a bond issue on the theater and got nowhere. You ask a man in East Des Moines who is suspicious of all the money on the west side anyway to vote public funds for a theater and he says to hell with it. He couldn't care less about a theater or an art gallery or a science center. They're just for the benefit of the rich establishment, he thinks. He doesn't realize it's part of his heritage, probably the most *important* part, continuing and preserving his traditions, but you can't tell him that, he doesn't realize it. So we do it ourselves."

The Des Moines Art Center (The Edmondson Art Center, to be exact, because it was old man Edmondson who wanted it in the first place and who left the money for it) has been admired throughout the country. Designed by Eero Saarinen and added to by I. M. Pei, it's a beautiful structure to behold, and it's plastered with commemorative plaques to Edmondson, the Cowles Foundation who paid for a gallery, the Blank Foundation, on and on. A few individual pieces have been given or lent anonymously, but very, very few. Philanthropy in altered form exists, and altruism as opposed to egoism perhaps, but anonymity, as Maddie Glazer said, is long gone.

"Here at Younkers," an executive said, "we have no pet projects though we give generally to health and education. We happen to believe that a healthy community is a better community and, of course, better for us. Now before he died, old man Meredith had this dream of a Boy's Club which we didn't need. We needed other things, we needed scholarships for minority kids, we needed, well, lots of things, but we didn't need a Boys' Club. It's a duplication of service. We have a fine, vigorous YMCA that takes good care of the boys, so he couldn't raise any support. But then he died, so the cry went up again for the club as a memorial to the old man. Sentiment ran high so we got this damn Boys' Club which nobody will support now because it's a waste of money. I may be an ingrate, but I personally think some of our organizations have outlived their time." He threw up his hands as he ticked off a national ecumenical group – then he changed the subject. "We believe very strongly that our people should participate personally in community affairs, not just write checks."

In the red-brick Gothic-cum-Tudor pile that houses *Better Homes and Gardens* and other Meredith homemaking publications, Robert Burnett said, "Though I'm president of a large corporation, I have no personal fortune. New Ted Meredith, our chairman of the board does. He has the Meredith Foundation and they give money to all kinds of things, but the corporation gives money, and we give our personal time and service, out of a sense of responsibility to the community."

In the quiet, but crowded Walnut Room of the Hotel Fort Des Moines, Owen Fleming gave a loud cheerful laugh and said, "Honestly, the reason we give away money is excess profits." Owen's Dressed Beef company is a part of National By-Products Inc. He laughed again, "We recycle animals," he said. "You have to realize that everyone is in a foundation because we *have* to be. You funnel great chunks of your money into a tax-exempt foundation so you're expected to give part of it away, but you give it away the way you want to . . . The tiny percent you give away hardly matters. Anybody who says they'd give away the kind of money they do without a tax write-off is *lying.* The problem is who to give the money to. I'm president of the Red Cross, my wife was fund raiser for United Way. The goals are posted, but they *don't make it.* They shove things around so it looks like they make it, but they *don't.* So where does the money come from? It's made up by the government. Personally, I wish the government would take over the whole thing, but the way it is, if private corporations didn't support public services, everything would collapse.

"We're trying to do something about downtown, and with the money in this town, the nine million we need to raise is *peanuts,* but when we get this little bitty theater thing under way, and people can see how beautiful it is, we can start the whole thing snowballing. Look at Minneapolis, what a really beautiful thing they've done. Downtowns are dying all over. We don't have the heavy racial or crime problems here that some larger cities have today, but I don't go downtown at night except to the Des Moines Club . . . Here it's the conservative City Council that's holding everything up. We *need* a new downtown, we need to save the city, and it's up to us to do it, the government can't."

At City Hall which, though it's not the most imposing structure in town, sits nicely near the Des Moines River, the present mayor, Richard Olsen, explained the situation. "Let me tell you, eight years ago I held a meeting with, I suppose you'd call them, city fathers to raise two million dollars of private money for redevelopment of downtown. At the end of the meeting I had pledges for only $400,000, so we couldn't do anything. Since then, by talking to the insurance companies and such, saying 'Look, it's time to get your heads out of the sand and look at your community,' a kind of public spirit began to develop so now we'll get the nine million and for the first time we've got some positive excitment going. It would be a terrible shame if the Feds were to step in now and dampen that enthusiasm."

"Without private funding the public services and improvement practices would collapse," the mayor said. "It was the private sector that stepped in back then when, like other cities, we were having our racial troubles – we had several bombings – The City Council would do nothing, so private money paid for the recruiting of more policemen."

"Private philanthropy in this country is an essential and worthwhile thing," Walter Walsh said, "an integral part of a free society. Without it there would be chaos, and it doesn't take long for a community to descend into chaos. There are certain things that private philanthropy *can't* do, things that are properly left to government which has its place. Now, I don't mean to sound like a right-wing conservative, which I'm not, but a burgeoning government becomes unresponsive and a threat more than a help to the public."

Bob Burnett was even more cynical about government aid. "The whole social structure here *depends* upon private philanthropy. If there were none, the structure would collapse, maybe not right away, but it wouldn't be long. We'd have complete collapse. I'm president of Planned Parenthood, and I've watched government money dry up. When government funds *do* become available, the competition for them is so intense that many organizations don't even try, they go straight to private money. There was a lot of federal money in Des Moines, but it's dwindling away. Programs that were started during the Johnson administration were cut back under Nixon and are still being cut back under Ford, and I think that's right not because the programs were bad, but because they were inept. We hear a lot about welfare, but it's harder to get now. Tax laws are being made tougher cutting out so-called loopholes and if they become tougher and tougher they will simply become onerous. If there were no tax incentives for private philanthropy there simply wouldn't *be* any private philanthropy, there would be a lot less, well, there just wouldn't be any at all and anyone who thinks otherwise is simply naive."

The man at Younkers said that if private philanthropy couldn't exist, he didn't see how the government could handle the burden. "We'd have such unwieldly bureaucracies that would feed on themselves which has historically happened with so many government programs. Sure, United Way [he was once president of United Way] is a bureaucracy, but there's a board of citizens, businessmen, that oversees the organization. We give so much to United Way that we make damn sure one of our people is on the board. Government bureaucracies have no overseers."

"If there were no private philanthropy," Tom Urban said, "I think the arts would suffer most. You can't build an art center on public funds."

And the spokesman for the Art Center agreed. "Without private philanthropy," he said, quite alarmed at the mere possibility, "it would be a *disaster.* We need operating funds, day-to-day funds to keep our classes going, pay our teachers and our museum guards, keep the doors open. We have temperature control, air conditioning, our utilities alone run $35,000 a year. If government supported us and for some reason decided to pull out, why, everything would *collapse!*"

However, Charles Palmer at United Way took a less hysterical view. "If there was no private philanthropy," he said coolly, "the public sector would step in and maintain the public services. There would be complaints, of course, because a lot of people wouldn't get what they wanted, services would necessarily be diminished, but the disappointed ones would somehow get together a coalition and appeal to the private sector all over again.

"To my mind the present balance of private and public money is a workable arrangement. Checks and balances so to speak."

There were no puns intended. Palmer is a singularly sober man intensely devoted to the integrity of his organization and the good services it performs. "There's an awful lot of county money in Des Moines," he said, "and a lot of state money. There *was* a lot of federal money, but it's pretty much dried up. People who had it are now looking for a home. Let me put it this way. To us, the private sector, in a sense, is the loyal opposition. They have their pet projects. All right. But we need the *balance* of private and public money. If government were to take over *all* the funding of public services, we'd have a monolithic force with such circumscribed priorities that lots and lots of people would be squeezed out. I just don't see that it could work at all."

Greater Des Moines has about 350,000 people, most of whom are white. There are some Blacks and Chicanos, but not many. The literacy level and the income level are among the highest in the nation. There is relatively little heavy industry and the air is clear. It has two rivers that water the farmland all around, and it usually escapes the killer tornadoes that strike all around in the spring. Unlike Minneapolis which was built on grain speculation, Des Moines, according to ex-mayor Tom Urban, was founded on banking and insurance so the risk factor is built-in and indigenous to the money community which tends to be conservative and inclined to be cautious. There is also a profound schism between East and West Des Moines with the money, education, and "culture" residing in the West. "The City Council," someone else said, "the city government with a couple of dozing dodos who seem to get elected over and over, and the councilmen from East Des Moines are hopeless. You can't get *anything* passed. Des Moines is leaderless."

"More and more the corporations in Des Moines are becoming political entities," said Bob Burnett. "Now whether that's good or bad is something I don't want to get into, but that's the way it is. The corporations are having to provide the leadership."

The mayor – Mr. Nice Guy, his friend Owen Fleming calls him – resigned "reluctantly," the *Register* reported, his position on the board of the nonprofit foundation set up to pull in the money for the downtown plaza, so there would be no contention when he voted for the plaza in the City Council. (The city must agree to buy two blocks downtown where the theater and plaza will be built.) "There's no question that politics and private money are intimately involved with each other," the mayor said. "To accomplish the things we've already accomplished and hope to accomplish, cooperation between the private sector and political sector is absolutely essential. And with an election coming up in the fall with four council seats and my chair up and the school kids mustered by then to go around door to door soliciting for the downtown project, politics and private giving are going to be inseparable in everybody's mind."

Most of the private fund raising in Des Moines, as in other cities, is done by volunteers. For the Art Center, for instance, middle-and upper-middle-class women solicit among their friends. For less glamorous causes, the volunteers are just about anybody, men, women, children who want to or are persuaded to give his or her time to help a "worthy cause."

Most all of the executives of the major corporations and heads of labor councils have, at one time or another, devoted, in varying degrees, time and energy as presidents of the heart funds or the Cancer Fund or the Red Cross or whatever. All volunteers are not fund raisers of course. Many perform the hundreds of tasks – teaching, counseling, visiting the aged and infirm, leading recreational projects, repairing equipment, painting buildings, on and on – that the sponsoring organizations could never afford to pay for.

Mrs. Joey Bishop, head of the Des Moines branch of the National Center for Voluntary Action, said, "We never supply a volunteer to take the place of a salaried person. Some professionals resent volunteers, but usually get over their resentment when they find the volunteer is being a real help. Volunteers do a tremendous job, often in lieu of employment, particularly these days when so many people are finding themselves without jobs. If, for instance, a man gets laid off at John Deere, rather than sit around he may volunteer to use his skills in repairing a schoolhouse, and we encourage this. We believe a busy person is a happy person. We'll pay his expenses such as transportation, but his only other compensations are knowing he's appreciated and doing a worthwhile job. People volunteer because they want to keep busy and they want to help. Our volunteers must be *committed.*

"We can always supply volunteers for public programs or private programs, it doesn't matter to them or to us just as long as the program is nonprofit. I really don't think more public money and less private money or vice-versa would affect us in any way."

Volunteers work for their churches, too, but the functioning of private religious philanthropy in Des Moines is socially capricious indeed. Father Walsh of St. Mary of Nazareth didn't even want to talk about it, he was ill and packing up to leave the parish; but Gerald Ferman, director of the Jewish Welfare Federation, spoke quite freely of their activities.

"We don't use the word philanthropy," he said, "we say responsibility. The Jews, you know, are the only surviving Biblical people. Sure, there are Egyptians, Greeks, and the rest, but the Philistines, the Hittites, the Babylonians are gone, but the Jews over the centuries have maintained a sociological continuity. Church and State are not separate entities. The Jewish people give to their institutions out of a sense of responsibility to that continuity." He was a youngish fellow, fair, rather pudgy, with a yarmulke on his head and a Ph.D. after his name on the door. "If we didn't take care of our community," he said, "no one else would. Tax exemption or lack of it has little to do with it. The Talmud says clearly, ten percent. Whether little Herman with his jewelry store gives ten percent, I don't know. Or if Dick Levitt gives ten percent of his vast fortune, I don't know that either. I know we try to give everybody the opportunity. The tens, twenties, fifties we contact on the telephone. The bigger ones we go to see. A lot of the money stays here in Des Moines for family services mostly, but the bulk of it goes to the International Jewish Appeal and is sent overseas. The economic picture has little to do with it. We're in a recession in this country, but if there was a war in Israel today, we'd probably collect more money than in '67.

"Look, you know, as a people we've been persecuted for so many years in so many places in so many ways, we just know we have to take care of ourselves."

Perhaps Tom Urban had the last word on why philanthropy exists today in the form it does. He said, "You know, businessmen, except maybe the most callous of us, harbor a sense of guilt deep down inside so we want people to love us. That's why we give away so much money. We want to be loved."

No doubt there are many, many people in Des Moines in all walks of life who would say, "Speak for yourself, Tom."

THE ANATOMY OF GIVING

MONEY ABOVE, ACTION BELOW: PHILANTHROPY IN HARTFORD

Vivian Gornick[†]

How does private philanthropy work in Hartford, Connecticut? Who does the giving? Who does the getting? What are the real and special circumstances under which the philanthropic process proceeds? What are the rich and the poor asking of each other? To what extent does private philanthropy have a responsibility for the shape and quality of the life of the city? How and how much does it fulfill that assignment?

In searching for clues, I spent several days of 1975 in Hartford, wandering purposefully about the city, speaking to some two dozen people who are either in a position to give money, receive the gift of money or have an intelligent opinion about the nature of giving in Hartford. What follows, then, is a gathered impression – gained during this brief, necessarily superficial exploration – of the relation between private giving and the multiple human needs that together are woven into the fabric of this particular small American city.

Hartford is one of the oldest of New England cities. Originally a port town on the Connecticut River, set in some of the loveliest countryside on the Eastern seaboard, the city's character from its inception has been intensely Yankee and intensely commercial. For two hundred years American names such as Wadsworth, Goodwin, and Brainard have dominated the city's social, political and cultural life, and businesses such as banking, insurance, and arms manufacturing have dominated its economic growth and prosperity.

To be sure, over these last hundred years or so Hartford, like every other American city, has absorbed one wave after another of ethnic emigration. Between the 1870s and the 1920s, at different times and in varying numbers, Irish, Polish, Italian, and Jewish people came to the city. In the last 30 years great numbers of southern Black and Puerto Rican people have followed. Each generation of immigrants became in Hartford domestics, shopkeepers, laborers, factory workers, small businessmen, and servicing professionals (that is, doctors, lawyers, teachers, social workers). Only rarely have the "ethnics" been admitted to the high-ranking executive offices of the banks, the insurance companies or the large manufacturing businesses that to this day comprise the powerful nerve center of the city. Thus, the social and business life of Hartford remains, in the pluralistic latter half of the American twentieth century, remarkably homogeneous in its Yankee character.

This homogeneity is reflected in the myriad philanthropic enterprises that for more than a century have marked the social, cultural, and recreational institutions of Hartford. For philanthropy always reflects the values of the givers, and it was a characteristic of nineteenth century Victorianism – shared by American Yankees – that the makers of huge fortunes should also have thought of themselves as the keepers of the culture and, as such, considered it their responsibility to develop and care for the communities in which they were living and making their money; that is how most American cities got built, and Hartford is no exception to this rule. Thus, it was private money, dispensed by Hartford's bankers, businessmen, and manufacturers, that brought to Hartford many fine parks, hospitals, museums, and social welfare agencies; it was this same private money that, at a later time, created the excellent Hartford Ballet, symphony and stage companies, as well as land preservation councils, library services, historical societies, local scholarship funds, prison and welfare associations and, most recently, the University of Hartford (for which a monumental $40 million was raised, considerably from corporations, almost overnight).

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For an inner city of its size (150,000) the number of privately funded agencies and institutions operating in Hartford for the public good is, indeed, remarkable. This great number is a testament not only to the vast amounts of money that have always been made in this town, but to a deep and complex interest on the part of its rich and influential citizens in shaping what they saw to be the welfare of the town. While parks, museums, hospitals, and opera associations benefit the public, equally obviously these institutions have traditionally been a source of reflected glory and cultivation for the rich. Nor was it lost on the establishment that cultural institutions are a wise investment to draw more and better business into the area, to attract talented and industrious people from all over the country, and in general to insure the growth of that prosperity without which there is rarely philanthropy.

The most outstanding example of a philanthropic agency in Hartford, begun in precisely this complex spirit of interested welfare, is the Hartford Foundation for Public Giving, chartered in 1925 by a group of bankers, lawyers, and businessmen for the express purpose of becoming a community foundation that would disburse the funds derived from the charitable gifts of local fortune in the interests of the public and community good. The foundation began operating in 1932 with its first gift of an estate of $14,000 and it is now, 50 years later, one of the larger and more powerful community foundations in the country, operating on an annual grant budget of nearly one and one-half million dollars; this past year alone the foundation gave away 89 grants, ranging from $1,000 to $66,000, to organizations as various as those dealing with public health, family services, minority housing, public television, environmental agencies, arts councils, local colleges, neighborhood centers, the Boy Scouts, the Red Cross, the Urban League, the local museum, United Way, the YMCA, the Legal Aid Society, and innumerable hospitals (the foundation is very big on hospitals).

The Hartford Foundation for Public Giving is administered by a board of trustees and a Distribution Committee. The trustees are the titular heads of the four banks that hold the foundation's funds in trust. The powerful Distribution Committee is made up of six men, all of whom are presidents or heads of insurance companies or other large business or legal corporations, and one woman who was appointed by the president of Greater Hartford's United Way. Inevitably, the decisions these people make to either grant or withhold the money in their trust are made on their interpretations of what constitutes the public good.

J.M.K. (Jack) Davis was a member of the foundation's Distribution Committee from 1936 to 1971, and has been known around Hartford for a good many years as "Mr. Philanthropy." A tall, reedy man close to 70 years of age, Davis ran a large printing business for most of his life and now runs a small publishing house in the suburb of Avon where he lives. Davis' manner is gentle and gracious, and although he was wearing a proper business suit the morning we met at the foundation's West Hartford offices, I could not escape the sensation that he was in fact wearing white duck trousers and carrying a tennis racquet, so easy and athletic was his bearing, so utterly did he seem to belong inside his own skin. Davis does not consider himself an old-line resident (his family has been in Hartford "only" three generations, he demurs); nevertheless, he is clearly a man who has lived close to power and privilege all of his life; equally, clearly, he is also a man who loves to see a business run well and responsibly, delivering a creditable product and doing well by all concerned. It was, I believe, out of these twin factors that Davis spoke enthusiastically of his long years in the foundation, describing the early struggle to develop a well-administered organization with a broad and enlightened view of how to dispense private funds in the public good; a struggle that also included educating the wealthy to the perception that they should give their money in an unrestricted fashion, allowing the foundation to decide how best to invest and give away that money. He is enormously proud of the foundation's efforts, demonstrating by turning the pages of its 50th Anniversary Yearbook, how much it has accomplished, how many agencies it has helped begin, how much wider it has made the range of Hartford philanthropies.

After an hour or so of conversation, Davis drove me back from suburban West Hartford into downtown Hartford. As we got closer and closer to the inner city, Davis seemed to grow more distracted in his conversation. He seemed perplexed by what Hartford had become. He spoke of how well all the previous groups of "ethnics" had done in Hartford but – he just didn't understand it – things seemed to have broken down with these new people: the Puerto Ricans and the Blacks. "They just won't *work*!" he burst out in frustration. "And those riots in the mid-sixties." For the life of him he just did not know why on earth those riots had occurred.

Between Jack Davis and present-day Hartford lies 40 years of vital change. The Hartford in which he grew, and whose public good he sought to increase in the 1930s and 40s is literally no more. Hartford, like nearly every other city in America, is now an inner city with a population that is more than 50 percent Black and Puerto Rican, ringed by almost entirely white suburbs half of whose inhabitants come into the city each day to work and each night to flee. The lovely Victorian neighborhoods that Jack Davis and his friends and relatives grew up in, married and raised their children in, are now, more often than not, crumbling ghetto areas with more than their fair share of crime, drugs, unemployment and welfare. How well do men like Davis – and for Davis read all the men who sit in Hartford corporation and foundation offices – genuinely understand the needs of Hartford today? To what extent are they as philanthropists (and in Hartford it is abundantly clear that philanthropy today is, above all else, corporate giving) in touch with and responsive to the city as it actually *is* as opposed to the city as it may exist either in their minds or in their memories? To what extent does their giving significantly alter the shape of life in Hartford at present and for the future? To what degree is philanthropic enterprise in Hartford as far-sighted as its famous business enterprise?

Well, if you talk to people like Laura Johnson, Bob Merriman, Scott McAlister, John Filer, and Marion Grant the answer is likely to be a strongly affirmative: To a very great degree. If you talk to people like Boyd Hinds, Leonard Sengali, Edna Smith, Ned Coll, and Frank Kennedy the answer is: To almost no degree. If you talk to people like Jon Newman, Jack Dollard, Phil Mallet, Bertina Williams, and Wayne Casey you'll get some interesting "Well, I think it's a combination of both" answers. Let's talk to some of them and see what sort of picture of the town's philanthropy-relations emerges.

Laura Johnson, the president of Hartford College for Women, is most enthusiastic about the enlightened attitudes of corporate giving in Hartford (of which her college, of course, is a modest beneficiary). A tall, strong-looking woman in her mid-sixties, with the shrewd, humane expression of the classic Vermonter, Dr. Johnson has been in her presidential post here at this secluded little school (fifteen minutes from downtown Hartford, but set in a neighborhood that resemples a country village) for 40 years of which this school year is her last. Dr. Johnson sits at her desk in her oak-panelled office gazing out at the burgeoning spring that fills her leaded-pane windows (Hartford is radiantly verdant, intensely green and lush at this time of year). The impression she gives, preeminently, is one of reasonableness and pragmatism.

"Thirty years ago," she smiles, "the word for philanthropy was charity. Today it's social responsibility. Big business will respond to the needs of the inner city because, my dear, they must, they simply must. Enlightened self-interest tells them that they've got to do something about the city, because if the city goes down they go down with it. In 20 years they will have no employees, for one thing. For another, their property values will deteriorate dreadfully. Even now . . . " her voice trails off for a moment. She shakes herself. "It is no reward, you know," she says softly, "to be the mayor of Hartford today, to preside over a city of poor, illiterate Blacks and Puerto Ricans."

And how exactly *is* big business responding to the city's needs?

"Slowly," she smiles with an ironic nod. "Slowly. But yes, on the whole I see them beginning to understand the nature of the problem before them. I sit on a number of boards in this town, and I see the men of the corporations grappling with the troubles of the city . . . John Filer at Aetna, for instance, is a very liberal man, a man who really understands these things."

To Bob Merriman, also, the philanthropic efforts of the corporations in Hartford are substantial, and he too believes the corporation executives of the city make an honest effort, through their staffs, to keep informed. Merriman works for the Coordinating Council for Foundations, an organization that was set up primarily to do research for the corporations and foundations on the grant requests they receive. It becomes clear from Merriman's description of his organization that every corporation now has a set of philanthropic obligations that makes of them all mini-foundations. The council's membership consists of 24 corporations and 12 foundations; Merriman researches some of the requests that these companies receive and writes project reports which complement member staff work preceding decisions to either grant or withhold members' money.

An important slice of aid locally given and received is dependent upon Merriman's reports. Therefore, from the point of view of many people in Hartford in a position to request money from the local corporations, Merriman's reports are a powerful instrument of either acceptance or rejection. How does Merriman write his reports? He says: "I'm there to write the good and the bad of it as I see it. My purpose is to be as objective as possible; to set out all the pertinent information and let the client make up his own mind. I don't push anything. The criteria I set are: what is the end purpose of the project? what are the project's real needs? how well equipped is the project to fulfill those needs? what are its budget problems? how functional is its administrative set-up? how experienced or inexperienced are its directors? or its staff? I simply lay it all out and then the project either fails or succeeds on its obvious merits as seen by the granting agency."

How would Merriman characterize giving in Hartford today?

"It used to be primarily a bricks-and-mortar business (that is, donating money to put up a school or a hospital or a parks building), now it's more of a people business. While the bulk of money still goes to the standard agencies – like United Way, for instance ($5,000,000 a year) – giving here in Hartford is tied more than ever to social action projects; neighborhood centers, arts councils, literacy programs, halfway houses – all these things receive a lot of help from the corporations. Children's programs, for instance. Guys like Filer are very receptive to these things."

For Scott McAlister, also, the "social responsibility" record of the corporations in town is pretty good. McAlister, the 45-year old vice-chairman and director of Covenant Life Insurance Company, is the very image of the blond, rugged, high-powered American executive – one can easily picture him in an ad smoking a cigarette before a rushing waterfall, saying "Me a mountain climber? No, I'm an insurance executive." It seems like McAlister is on every board in town, and then some. He is known in many quarters as an energetic, effective and liberal man who, to the city's concern, recently underwent a lung removal.

McAlister leaned back on one of the two velvet sofas in his glass-and-wood-panelled office and spoke expansively of the doctrine of enlightened self-interest, and how well it is operating in Hartford. He said, for instance, ticking the statistics off on his fingers, Aetna Life & Casualty has given three quarters of a million dollars to the University of Hartford for a revolving computer science scholarship fund which will begin training inner-city students in their last year of high school;

Aetna Life & Casualty also put up $30 million to build the new Civic Center (part of a massive building effort to revitalize the ailing downtown area); Travelers Insurance Company invested an equal number of dollars to build Constitution Plaza (an elevated downtown mall of shops and office buildings, also part of the same effort to bring life and work back into downtown Hartford); and then, of course, there is the money they have all sunk into the Greater Hartford Process (to be explained later). "The corporations in this town *do* things," McAlister said, spreading his arms along the top of the sofa. The implication of this last statement is that the corporations do things in an analytic, socially-educated way for the mutual benefit of themselves and the town.

However, I ask McAlister if his own company gives away money? Yes, he replies. How much? Approximately $20,000 a year. How is that money allocated? "Well," McAlister replies a bit sheepishly, "it is mainly employee-interested projects that get the money." In other words, someone at Covenant has a special interest in the Children's Museum, for instance, or a local TV station, or a neighborhood project . . . They will get the money.

Which is, of course, the classic rather than the "enlightened" way in which private philanthropy works – on the basis of random, private choice – and the reason most agencies dependent on private money seek to get a corporation executive on their boards of directors.

As far as Marion Grant is concerned the classic way is the absolutely right way. It always operated just fine in Hartford, just fine, and if we tamper with the system now, the government – God help us all – is going to take over *everything*, simply everything, and then where will we all be? Marion Hepburn Grant is a vivacious, opinionated woman in her late fifties, tied by birth and by marriage to two of Hartford's more enterprising families, one in medicine and one in industry. Her mother, Katherine Houghton Hepburn, was a beautiful, bright and persuasive national leader in women's suffrage and birth control. The Grants (he was a suburban G.O.P. mayor) live in a lovely, old-fashioned house in West Hartford and she sees herself preeminently as an industrious, go-getting Yankee dedicated to the doctrine of independence, with her roots deeply embedded in the past, present and future of Hartford; she has most of her life been involved in half a dozen projects at a time in and around the city. While her politics are slightly neanderthal (of the Blacks and Puerto Ricans she says "the whole problem is these enormous welfare payments. If only they would cut down on the welfare payments half our Black and Puerto Rican population would be gone tomorrow, I assure you"), Mrs. Grant insists that discrimination is really not a problem in Hartford. "You know, my dear, if you force a Yankee to choose between his prejudices and his pocketbook he'll choose his pocketbook every time."

As for philanthropy in Hartford, Mrs. Grant says: "I think private philanthropy works *marvellously* in this town. If I want something funded I march into half a dozen offices in Hartford and in no time I have all I need." Then she adds slyly: "Of course, how could they refuse me? All those men have eaten dinner in my house at least a dozen times!"

Marion Grant's view of how philanthropy works in Hartford might sound slightly incredible to those devoted to the doctrine of social responsibility, but it would not sound so to Warren Dunbar, who nods in wry agreement: "She's absolutely right. That's exactly how things work here." Warren Dunbar is a fund raiser for the $770,000 annual Combined Health Appeal, a local agency that is one decade old and was formed out of an increased awareness on the part of doctors and hospital administrators in Hartford that a separate agency for health was a necessity. Dunbar, a large, somewhat lumbering man with the hearty personality of the professional fund raiser, came to Hartford to help set up and run the fund-raising function of this agency; he has been working here nearly 10 years. He describes how difficult it was even to start the agency – so resistant to the creation of a new agency were the large donors and so powerful was the pressure the local United Way agency exerted against it:

"This is a strictly who-do-you-know town," Dunbar says, his voice switching from hearty to serious. "Funds are raised at the golf club or the Hartford Club. On the golf course one exec says to another 'Joe, I got this project I'm trying to get funded' . . . and that's it.

"It was hell to start the Health Appeal as the execs all automatically gave to United Way, and they bucked us all the way. For all the obvious, bureaucratic, agency-competitive reasons. And for some not so obvious reasons. This town is WASP, conservative, closed, clubby. If you're in, you can get whatever you need; if you're not, it's uphill all the way. It's taken me ten bloody years to get the Health Appeal going . . . We're alright now. That is, we're *in* now."

To a man like Boyd Hinds nothing could improve on Warren Dunbar's description of how philanthropy operates in Hartford. To Hinds, the entire system is a closed one, operating entirely to the satisfaction of the white, middle-class establishment and not at all for the benefit of the poor, non-white, majority population. To Hinds the corporate liberalism implied in the words "social responsibility" and "enlightened self-interest" is a sham, a way of giving away a little in order to really give away nothing.

Boyd Hinds is a 36-year old former school teacher who runs a storefront civil rights agency called Education/Instruction, Inc. in Hartford's North End Black ghetto. Originally, Hinds says, this agency set out to offer consultation on affirmative action and equal opportunity to private and public institutions and corporations which, supposedly, were interested in complying with the law and participating in the "socially responsible" atmosphere everyone talks so much about. There were, however, practically no takers, and E/I has become instead a center for filing grievance claims of institutional racism, sexism, affirmative action failure, discrimination in housing, and so forth. (Hinds has been so successful on the issue of discrimination in housing that he has embarrassed the leading banks in town into agreeing not to make loans to builders if their housing discriminates against Blacks).

Hinds' name is a red flag in Hartford. *Everyone* finds him uncomfortable, even the people who are supposedly on his side: "I agree with what he says but I can't stand the way he says it." He is considered by one and all in the establishment as abrasive, arrogant and his tactics so rough that although many look upon him as a "necessary evil" (like Ralph Nader) no one is openly sympathetic to him.

Hinds is thought radical by many, but in reality his stance is that of the old-fashioned outraged democrat. His big complaint is that "These corporations and foundations are tax exempt. Therefore, part of the money they spend is my money. They should have regulatory restrictions placed upon them that will force them to meet specific social criteria that will address themselves more equitably to the world that actually exists. . . . This city is run by and for the suburbs. The insurance companies do nothing meaningful for the inner city. They don't understand the problems of the people who actually live here. They prefer to create something like the Greater Hartford Process rather than look at what's really happening – because they think Process will take care of the whole thing for them, or better yet just make it all disappear overnight."

Hinds has been carrying on a one-man letter-writing war with the Hartford Foundation for Public Giving for a number of years now. In these letters (all of which are liberally distributed around town, many of which hit the newspapers) Hinds is continually saying: You call yourselves a foundation for the public good; yet, you give your money to organizations that discriminate against Blacks, Puerto Ricans, and other minorities; there has never been a non-white, non-male, non-middle-class member on your Distribution Committee; most of the money you give away benefits the suburbs, very little benefits the inner city; there is very little about this "public foundation" that is public. "What is the meaning of statements like 'The Foundation's chief reason for existence is its ability to adjust quickly to change' or 'Those on the scene are usually best able to spot the public's true needs' or 'A pool of charitable trusts available to meet community needs as they arise?' Who framed those statements? What input does the 'community' or the 'public' have in interpreting what the words mean? . . . . It is clear to me that the Hartford Foundation does not reflect the 'public' which it is *designed* and *pledged* to serve. The result much of the time appears to use charitable giving (a form of federal subsidy) to perpetuate the effects of past discrimination."

"Every door in Hartford is closed to me," says Hinds. "They'll tell you it's because I'm nasty, they don't like my personality. That's an excuse. The problems we pose are so naked they don't want to face them. Their books should be open to the public. Who gets? How much? Who was turned down? Why? We're confrontation. That's a dirty word in Hartford."

There are a number of people in Hartford who generally share Boyd Hinds' feelings and views about the role of philanthropy in Hartford. Among them are Leonard Sengali, Ned Coll, Edna Smith, and Frank Kennedy. All of these people are young (in their thirties), they are all "street people," they are all products of the egalitarian politics of the 1960s, they are all civil-rights workers of one sort or another, and they all have about them that intensity of caring – about issues, politics, life – that pushes people into the future. Let's talk to these people. However, let's talk to them in relation to a single issue, an issue whose very creation – as much as any other single thing in Hartford – speaks to the entire question of how the corporations approach philanthropy. That "issue" is the Greater Hartford Process, whose presence in Hartford cropped up in every single conversation I had, and which must now be explained at a time when "The Process" is slowly disappearing like an ice sculpture at a Hartford Club banquet.

The Greater Hartford Process was born out of the Black riots of the mid-sixties. The Hartford disturbances were among the worst in the country, and they went on sporadically for four years. Corporate Hartford became frightened for the first time that its very life was in danger, and convinced that the usual political processes would not save it. Making government work like the business process might save it.

The Greater Hartford Process was a creation of the James Rouse city-building corporation. Rouse had created Columbia, Maryland, from a blueprint in his mind of the perfect American city, planned from scratch to include (in just the right amounts) rich, poor, young, old, Black, white, professional, non-professional. It was a city which, on paper, took in hand urban America and its monumental social problems. Although Columbia has not been a proven success, the corporate executives of Hartford nevertheless brought Rouse to their city to do the same for them. Rouse developed the twin idea of building a town similar to Columbia out in the countryside near Hartford and at the same time rebuilding Hartford in Hartford. He formed a corporation, finally brought in Peter Libassi – a Kennedy whiz kid who had also spent years as a civil-rights worker in Johnson's HEW and was a chief lieutenant to John Gardner in the Urban Coalition – to run the whole show. The corporations of Hartford sank nearly $8 million into Process; this would be the thing to bring Hartford's disintegrating life under control. While the dollars were technically not philanthropic but rather an investment in social development, many of the proposed programs were aimed at problems with which the charitable social service agencies had long been marginally identified. The critics say Process was a choice typical of the corporate-bureaucratic-institutional approach to social problems, an approach that so often misfires (as the War on Poverty so disastrously misfired) because its frame of reference is inorganic, the action it takes is artificially rational, and it is, above all else, imposed from the top instead of growing up from the bottom.

Now, five years later, Peter Libassi sits in his 14th floor office on Constitution Plaza overlooking the Connecticut River and the entire city of Hartford and, with considerable charm, intelligence, and persuasiveness turns page after page of large, four-color glossy plans, eagerly explaining the beautiful town they were going to make in rural Coventry, the city neighborhoods they were going to rebuild, the community organizations they were going to stimulate. . . . and he ends up, helplessly, shrugging his shoulders and lifting his puzzled eyebrows and saying, "But no matter what we did, it didn't work."

The one vital thing was never accomplished: to win the trust of the people. Libassi and Process were considered "Washington experts" from the start, and they remained in the minds of many people suspiciously connected with government and big business; they were widely resented at the grass roots and among some politicians as not being integral either to the city's history or to its actual, organically complex problems.

To a man like Boyd Hinds the reason the Hartford power structure went this route is, Because they don't really want anything to change here. If they take a good hard look at what's really happening in these streets, and what it takes to really change things here, they know they're going to have to give up a whole lot of rights and privileges they're not prepared to give up.

Not many people in Hartford are willing to draw so sharp and so cynical an analysis of what Process means in Hartford as Boyd Hinds. But all the "street people" mentioned before have opinions about Process in relation to their work in Hartford. Let's meet them and hear what they have to say.

Leonard Dickerson Sengali is a Black, ex-Illinois activist who came to Hartford five years ago and became an outreach minister at the Horace Bushnell Church in the North End in order to get away from Chicago activism, and raise his children in peace and quiet. But life is politics for a man like Sengali, and what's more, life is politics in the big city. Within weeks he was planning a polemic monthly called "Truth" and quickly got involved up to his neck in communiity reorganization. First it was the problems of those on welfare, then it was the problems of tenants, then it was jobs in the North End, then it was schools, then it was. . . . Sengali ended up forming the Upper Albany Community Organization. What Sengali understood was that until jobs, housing, and schooling were vitally and fundamentally changed in the North End nothing would change; that these people in the North End were profoundly urban people and yet they hated the neglect of their neighborhood, they hated their city, they hated themselves.

Sengali is deeply bound up in salvaging this neighborhood for its people, in making those in the North End want to rebuild and live there as responsible, rewarded citizens. That to him is the power and meaning of the community organization.

Sengali was outraged by the idea of Coventry. The Process people were designing the model city euphemistically as economically integrated, but to Sengali it meant only one thing: "they" wanted the Blacks out of Hartford. They were going to move them in wholesale lots out of the city into the alien country ("What the hell would a man like Sengali ever want to live in the country for?").

Sengali doesn't look like Malcolm X but he leaves the impression that he does. He crosses his long legs in a small office in the Horace Bushnell church building, lights a cigarette, his glasses pick up the glinting light and he says very softly:

"There ain't no benevolence in this town, there's no altruism here. All there ever has been – and that's only since the riots – has been crap like children's programs, excursions and the like. Millions of dollars thrown down a well. They didn't build no factories to give those children's daddies jobs, didn't help them get decent housing, or make these schools they go to decent so's they'd get education, which is the most important thing in the world for them.

"I don't think of the money from the corporations as *giving*. I think of it as their responsibility to rebuild this city. They made millions here, and they took it all out. Now they got to put it back in. Or every year that ghetto is going to creep closer and closer.

"But it's hard to see 'em doin' it. There is more paternalism here than in most parts of the country. God! This is *the helpingest* town! There's more help agencies here – in a town this size! – than in Chicago. Everybody's just dyin' to help you. None of which means you ever become self-sufficient. . . . . And then when you *do* form an organization and write your own rules. . ." Sengali's glasses glint blindly on his quiet black face. "Then what?" He ramains silent for a long moment. Then he says: "When they talk about Yankee imperialism – not American imperialism – this here (he points at the floor) is what they're talkin' about. This town, and all these New England towns like this one."

Sengali's sentiments are echoed by Edna Smith who also feels that her people out there in the South Arsenal district stand alone. Edna Smith is a 31-year old Puerto Rican woman who came here 10 years ago as a student at the University of Hartford, married Josh Smith and remained to become a schoolteacher, a Puerto Rican Activist (she helps run a Puerto Rican civil rights agency called La Casa de Puerto Rico), and a spokeswoman for the Puerto Rican community. She is vividly intelligent, responsive, a veritable calculator of city political information, and full of the humor necessary for someone in her position to remain usefully rational.

I met Edna Smith at the Ann Street Bilingual School where she teaches first grade. School was just letting out, and the halls were filled with the joyous rioting of kids suddenly let free; everyone was talking Spanish and English a mile-a-minute. I asked Edna Smith (slim, dark, looking ten years younger than she is) if the Board of Education had set up this school. No, she said, it was started as a pilot project with federal money. How did that come about? I asked. "Oh," she grinned, "a bunch of us illiterate ghetto folk went to Washington and we persuaded them that we needed it."

Why did she have to go to Washington? Surely there was money here in Hartford she could tap? She gave me a long, level stare, burst into angry staccato speech, stopped short suddenly, burst out laughing and said, "Come, I'll show you *my* neighborhood and we'll talk on the way."

Edna Smith is one of the few names that come up repeatedly when the Puerto Ricans are mentioned. When Process came to town and was looking for representative people from "the community" Edna Smith went on its board (doubleheader: she was both a Puerto Rican and a woman). She did not stay long, although she hastens to say that when she left they were all friends. "It was simply that the work of Process was so unbearably abstract to me. And a great deal of it required a very technical education which I quite frankly did not have. And those reports! They were voluminous. You just kept turning pages. . . . for hours. It really was not for me, and I wasn't for them."

What is interesting about Smith's relation with Process is this: She was invited to be on their board of directors as a member of the Puerto Rican community. Once she left the board she simply went back to being what she had been when she was originally sought out: a neighborhood activist. In this capacity she now met with Peter Libassi: "Peter said to me 'Tell me what you people want and need most.' In a shot I told him 'Bilingual schools.' 'Well', he said, 'we can't get into that.'"

Edna Smith explodes. "That is the history of my relations with those in Hartford in a position to help us. They ask me what I need. I tell them. They say: Oh, that's not what we had in mind. It's about to happen now again, I know, with the Hartford Foundation. We have just presented them with a detailed proposal for a thorough study to be done in conjunction with the UConn School of Social Work on the Puerto Rican community. You know, what the Puerto Ricans suffer from is what all the disenfranchised always suffer from: no real census. Nobody knows for sure how many of them there are, where they are, who lives where with whom, and so on. It's classic. If you don't know how many there are, or where they are you can't do very much about them, can you? What we need is a real bank of information. How many Puerto Ricans are there in Hartford? Where do they live? How many work? How many on unemployment? How many dope addicts? Where are they?

"We've asked the foundation for $180,000, but I know we're not going to get it. The other night my husband and I had dinner with an old friend who happens to be an official of the foundation. . . . We were all very uneasy when the proposal came up, and he said 'Oh that's not really so very important, is it?' and he's a *friend*!

"It's always this way with us. They say to us: Tell us what your priorities are. We tell them what our priorities are. They say: Well, your priorities aren't our priorities." (It was subsequently learned that the Hartford Foundation for Public Giving made a grant of $61,000 to La Casa de Puerto Rico for the census project.)

We've been driving all this time through the Puerto Rican South Arsenal district. It is much worse than the Black north end. The blight is overpowering. Somehow more depressing than New York's Spanish Harlem which, at least, is deeply connected to the city all around it; South Arsenal looks isolated beyond words.

"I'd like to take every one of those men in those corporation offices," Edna Smith says bitterly, "and make them drive through this each morning for a month with me. Then I wonder if I'd have to beg for nickels and dimes to pay the rent on La Casa." But suddenly her face opens in a magnificient smile, she tosses her long dark hair, lifts her head high over the Volkswagen wheel and says, "Let them keep their damned money. We don't want their money any more. We'll do it by ourselves."

Two other people in Hartford who said almost exactly the same thing about forcing the men of the corporations to drive through the ghetto with them were Ned Coll and Frank Kennedy. Ned Coll is Irish, Hartford-born and bred, in his 30's, with the kind of nervous sensitive face that is often capable of saintliness or madness and is as uneasily tolerated in Hartford as Boyd Hinds. Coll quit his job with Phoenix Mutual when John Fitzgerald Kennedy was killed, to open a storefront agency to help the poor, the victimized, the helpless – a kind of domestic Peace Corps. He called it the Revitalization Corps. He has been in business over 11 years now, subsisting entirely on volunteer work and donations and grants, performing a tremendous amount of work on little money, and often traumatizing the city's white middle class with his front page battles on behalf of the poor and the Black over food stamps, welfare checks, segregated beaches, striking buses, and so on.

"When I started this I was told I couldn't do it with less than a hundred thousand. Why hell, in 11 years I haven't *spent* a hundred thousand."

He has received over the years almost no help from the local corporations – although the Rockefeller Institute in New York gave him $150,000 two years ago. A typical response here in Hartford, he says, was Bob Merriman's two-year-old report on his operation. Merriman reported then that Coll had no board of directors. "I've got a board of directors," says Coll. "There's just no bankers on my board of directors. I've got schoolteachers, social workers, people from the neighborhood. Last year Aetna gave me five hundred bucks. This year nothing. Glenda Reed says my proposal isn't detailed enough. Detailed enough! I said, Why just pick up a newspaper and you'll see every day what I'm doing. . . . It's just a ploy. A way of saying no, you're not what we support.

"Process says we're just applying band-aids. Well, there's a lot of people out there who need band-aids. And besides, we bring attention to what's hurting, and where it's hurting. . . . Last year, I'm sitting in my office thinking winter is coming, a lot of people out there are gonna be cold and hungry this winter. . . and I'm sitting, you know? Thinking about what I ought to do. Then a woman walks into my office. She said: I haven't eaten in four days, I'm about to commit suicide.

Well, I got off my ass damn quick. We bought a van, and we filled it up, and we fed a lot of people this past winter, and every day of that drive I kept seeing that woman's face in front of me. . . . .

"It's not so much the money that the corporations need to give away. It's real understanding of what's going on out in those streets. I'd make it mandatory for every executive to spend a month in the streets with me, or someone like me. They don't know. They just don't know. They *say* they do, but they don't. They've got to get in there and press the flesh."

Frank Kennedy, as different from Ned Coll as possible, in his soft, button-down respectability, nevertheless says the same thing. Kennedy, an ex-priest, runs the state-funded Greater Hartford Group Homes (a halfway house for juvenile delinquents). What makes the difference between the Homes working and not working – between getting good people and mediocre people, between having enough money to keep a kid long enough or not enough so that you have to throw him out too early back onto the streets from which he's come – this difference is dependent on private money. And every year, Kennedy says, he must go begging again from the corporations which like to help projects start but are very unfriendly to the idea of permanent subsidy.

"That's the problem," says Kennedy. "They look upon us as a project. They don't realize we represent a permanent and deep problem in the city, and if they don't support people like us they're going to have deep, deep trouble in a few years. . . ." He leans back in his church office swivel chair and says wearily, "God, I'd like to take some of them for a ride through the North End. Make them see what I see every day. . . . You know, if there was a dam on the Connecticut River just outside of town and one day a crack appeared in that dam and a bunch of engineers went over to Aetna and the other insurance companies and said, 'You know, if you don't fix that crack now in two years that dam is going to break and this entire town will be under water within 24 hours,' well, you know those companies would raise millions of dollars overnight to fix that crack. I can't seem to make them see that what's happening in the ghettos of Hartford is the same thing as that crack in the dam."

Kennedy, Coll, Smith, and Sengali find support for their position vis-a-vis philanthropy in that middle strata of professional people who are neither street people nor big business. People like Jack Dollard, Bertina Williams, Phil Mallet, and Wayne Casey see exactly what they mean, although they don't see it all in such necessarily bleak terms.

Bertina Williams, a slim, nervous, hard working co-worker of Bob Merriman's at the Coordinating Council for Foundations, who discounts her familiarity with the scene, says: "Philanthropy must beware of myopic *tokenism* that doesn't address itself to real or root problems; among many things, this city needs jobs, and possibly a massive overhauling of the education system. If Hartford is going to be Black then, dammit, address yourself to Black need and Black problems. This generation of 30-to-55-year-old Blacks can't do it. And the schools are not turning out a new generation that will be able to do it. Aetna spends what in this town? Two million a year? They do the big ones – the Civic Center, the World Tennis Cup – but much of it is thrown around in bits and pieces that don't do anything for anybody. And then there's what's-my-fair-share? You'll get calls wanting to know how much Aetna or some other company is giving – the trend – so they'll know how much they have to give. What's that all about? Is that about giving? Or is it about keeping one's image up with the Joneses and giving no more than absolutely necessary to stay in good not with the recipients of their money but with their business peers?"

Jack Dollard is a fortyish maverick architect, a man of great energy, invention and intuition who has been a maker of programs and projects for the terminal, capital-expending Knox Foundation for five years. He is a man with dramatic feeling for neighborhoods and the people who live in them: parks, playgrounds, neighborhood theatricals, people-arts in museums, housing projects, schools .... Dollard's clientele is convinced his moves are right, that his sense of the street savvy, his ability to respond are prolific and real. His is a catalytic role, bringing together people with talent and people with need. He has made 82 projects in the city a reality. Currently, he is readying, over considerable political opposition, a most gorgeous, restored, nineteenth century carousel, bought for Bushnell Park in the center of the city at a $125,000 expense to the Knox Foundation. ... He sits in his downtown studio surrounded by young people painting carousel horses, showing slide shows, planning museum classes and films and he says wearily "And yet the city hasn't changed. It's just not enough, or its not the right amount, I don't know what, but the city doesn't change." Then he perks up.

"But goddammit, there's a lot of us out there in the streets, a lot of us who know and care about this town. *We're* downtown Hartford; *we're* the people who are gonna change this town; *we're* the ones who know where and how to apply change. Not people like Process! So instead of coming to us with their millions, the corporations bring in the experts, sink their money into them, and what have we all got? Nothing."

At the center of corporate Hartford sits Aetna Life & Casualty, one of the largest insurance companies in the world with assets amounting to $14 billion (that's more than the treasury of some countries) and 35,000 employees all over the country, 10,000 of them in Hartford. At the center of the center sits John Filer, the active, liberal executive whose name and energy has been lent to this very Commission on Private Philanthropy and Public Needs. The Aetna building on Farmington Avenue in Hartford does not actually sit on a rise but it feels as though it does: something like the mansion on the hill, surrounded by the feudal downtown village, and the outlying baronies of suburban West Hartford, Bloomfield, Farmington, Avon, and the rest of the 29 towns that make up the Capitol Region. The facade of Aetna – like that of many companies in Hartford – is fairly incredible. The place is gigantic and made to look like a nineteenth century ivy league college. John Filer's office is on the 8th floor; the "social responsibility" department on the 2nd floor.

John Filer is silver-haired and smokes a pipe. His face is surprisingly young, his voice surprisingly soft, his speech surprisingly politic. His office reminded me instantly of Hyde Park: a small drawing-room with tall, graceful windows, Persian rugs on the floor, handsome furniture scattered everywhere. Filer lit his pipe, peered at me across half a mile of polished mahogany and spoke softly, but like a politician, about enlightened self-interest. He knew what the city was like, he knew about the ghettos, he knew what it would all mean in a very few years time for Aetna if something weren't done, they were indeed busy "doing something." How, I asked Filer, did he know about the city; "I talk to people," he replied.

Could Filer tell me how, in detail, Aetna's give-away money had been spent this past year? Why, no, he couldn't. That was all the job of these fine people on the 2nd floor; however they saw fit to spend the money, that's how the money would be spent.

I left Filer's office feeling I was supposed to conclude the social responsibility people had more autonomy than may be the fact, but what I really thought was, The two point eight million that is spent is peanuts, John Filer is up here keeping an eye on the fourteen billion; *that's* what counts.

And in fact, Aetna's money last year was spent as follows: $500,000 to a Children's TV Workshop in New York; $150,000 to the University of Hartford; $200,000 matching grants for higher education in the nation; $250,000 to United Way; $110,000 in scholarships; $75,000 for the Hartford Institute of Criminal and Social Justice; $150,000 miscellaneous urban affairs.

The strongest single impression I came away from Hartford with was that philanthropy today is still charity, all claims for "social responsibility" notwithstanding. To some extent the city benefits from philanthropic enterprises but not to really any determinant degree. Judge Jon P. Newman, a resident of West Hartford, agreed. "The very word philanthropy connotes private choice. Inevitably, this means that giving reflects the choices of the rich. It did so in the past, and it does so today. Hartford has been enriched by philanthropy, but insofar as the real problems of the city are concerned, corporate philanthropy is just tinkering." "On the other hand," Newman continues, "it is an illusion to believe that if the government received the tax-exempt dollars of the philanthropists it would immediately create jobs and housing for the inner city. The government is hardly a well-known protector of the poor."

One of the hidden findings in the statistical information gathered by the Commission on Private Philanthropy and Public Needs is the tremendous number of dollars contributed to the "church plate." These dollars are called philanthropic dollars but the dollars on the church plate are really self-help dollars rather than philanthropic dollars; they are more in the nature of community cooperatives, representing a communal, self-help effort. They are the kind of dollars that people give when they feel they must be their own philanthropists. By the same token, it seems to me that it is the people in the streets of Hartford – and all those genuinely close to them – who are the people's own philanthropists, and it is that form of philanthropy that will turn the tide for the social problems of Hartford. The corporate prosperity in Hartford – as elsewhere – is still tremendously powerful, tremendously stable; yet, in some curious way, it seems irrelevant to the future of the town; the money may all lie with the corporations, but the energy, the inventiveness, the responsiveness, the whole struggling effort to gain control of modern urban life – that lies with the people "out there." The corporations truly do not understand the nature of what is happening in American life today, and to that extent they remain closer to the image of the philanthropist of old: an eccentric, wealthy old man sprinking a fraction of his wealth among the deserving poor. Except that the "deserving poor" today are more concerned with their rights rather than with their obligations and seem to be saying: Keep your money, old man. It's not your charity we're after, it's your power.

THE ANATOMY OF GIVING

PASSING THE BUCK: PHILANTHROPY IN SAN FRANCISCO

Jack Shepherd[†]

Despite the troubled economy in 1974, Americans gave away more than $25 inflated billion to charitable organizations. In California, as elsewhere, few gave until it hurt. Those who gave most generously did not necessarily have most to give. Some 3,357 wealthy individuals, comprising just 1.23 percent of all donors, contributed $30,472,138, or more than 75 percent of the total outright gifts. The remaining 98.7 percent made gifts of less than $1,000. In California, and especially in San Francisco, the giving done by traditional donors goes – with some exicity exceptions – to traditional beneficiaries. Still, there is a youth movement afoot in philanthropy in this city – a not surprising circumstance since the city itself is young: 45 percent of its people are under 30 years old.

San Francisco has a rich and textured history of giving, one that is changing dramatically and, some believe, quickly. Private giving is important in San Francisco, and always has been. "More than in Los Angeles," sniffed one member of an old San Francisco family. "The tradition of giving is not as strong in the 'south'."

Perhaps one of the first, and certainly one of the most memorable, philanthropists was a flamboyant lady named Alma Emma Le Normand de Bretteville. She was born on March 24, 1881, and although a native northern Californian, made much of her titled French heritage. On her family tree, Alma claimed Charlotte Corday, the beautiful aristocrat, who murdered Marat in his bath. In her own way, Alma was as daring, and far less lethal. In 1908, she met and married Adolph B. Spreckels of the wealthy San Francisco sugar family. As Alma Spreckels, she began a life of gaiety and philanthropy.

Art played a major role in her giving. Alma had attended the Hopkins Institute of Art in the early part of the century, and always claimed that she was the model for the Dewey Monument in San Francisco's Union Square. Alma Spreckels donated Rodin's *The Thinker* (one of 18 originals) to Golden Gate Park, and then – like any good fund raiser looking for matching gifts – sold postcards of the statue to benefit Belgian relief efforts during World War I.

By far her most splendid gift to San Francisco was the California Palace of the Legion of Honor. The Spreckels together donated the building as a memorial to the 3,600 Californians killed in World War I. No less a figure than Marshal Foch was at the building's groundbreaking. The museum, modeled after the Palace of the Legion of Honor in Paris, took millions to build and opened on November 11, 1924.

Alma Spreckels, like all good ladies of society, knew and entertained the royalty of her time. Her museum was a magnet for gifts of paintings by Cezanne, Corot, Degas, Manet, Renoir, and Van Gogh, as well as 34 of her own pieces by Rodin in bronze, marble, and plaster. In some ways, Alma's gift to San Francisco (and to all Californians) was a cliche: great art for the masses, provided by the rich. It was indeed vanity philanthropy.

Alma Spreckels also enjoyed another characteristic of the philanthropist: she charmed and terrified other wealthy folks out of their money. She once got even the tight-fisted Henry Ford up at 5:30 in the morning and made him donate a Model T Ford – at that time a gift of perhaps $1,500 – as a prize for one of her many charities.

Giving in San Francisco changed slowly in the days that followed Alma Spreckels. Most of the early philanthropists in the city were men and women of mercantile wealth: the Sterns, the Zellerbachs, the Crockers, the Blocks, and others. They were gradually replaced by owner-managers of business, and others of wealth: the Roths, the Swigs, the Haas family, the Lillenthals and others. These families gave much, and still do – "Haas is Mr. Philanthropy in San Francisco," said one member of this inner circle – out of a paternalistic pride in their city and its charities. Their donations were made – and sometimes still are – because of a personal attachment to the charity, or because they knew someone (or someone knew them). In San Francisco, for example, the wealthy Jewish families were and continue to be extremely important and heavy donors to the arts, education and specific forms of social enterprises. But people of wealth in San Francisco give more time than money to United Way (also called United Bay Crusade), which is more a middle-class and impersonal – corporate deductions from your paycheck – form of giving.

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There are, therefore, two distinct methods of giving in San Francisco: the wealthy give through foundations or specifically to projects they like or have close ties with; the middle class and *nouveau riche* donate through United Way to some 189 agencies, or to in-the-groove charities like the San Francisco Opera, hospitals, or universities. The wealthy generally tend to be more experimental with *some* of their money; the less wealthy give to "safer" charities. And there is one other point: Alma Spreckels gave her money away and ran charity benefits because it was expected of the rich, it felt good, and she looked great doing it. The early, wealthy San Francisco families gave – and still do – because they feel they *should*. But today, there is a young and exuberant cluster of philanthropists – and foundation directors – who give because they feel they *must*. Said Lawrence Kramer, a consultant to foundations and partner of Kramer, Miller & Associates: "Foundations should provide venture capital for social change. They should support things that can't get other support, help organizations maintain some independence, give them the opportunity to take risks." Not surprisingly, most of these adventuresome foundations carry the names of old San Francisco philanthropic families: William Roth, Rosenberg, Levi-Strauss, Crown-Zellerbach.

Today, wealthy San Francisco donors, newly rich or old, donate to specific charities or through foundations to traditional and experimental projects. Their support in fact creates the atmosphere that is San Francisco: only 10 percent of all donors give 78 percent of the outright gifts to the city's art and music; just 2 percent gave 86 percent of donated monies to the city's hospitals; and less than 1 percent gave 76 percent of the gifts to San Francisco's educational system. Giving in San Francisco is easy: the city has 305 nonprofit organizations, or one for every 1,680 people.

One of the most generous donors is Walter Haas, Jr. (as is his father, Walter Haas, Sr.), chairman of the Levi-Strauss Corporation and director of the Levi-Strauss Foundation. "Philanthropy is a burden," Walter Haas, Jr., admits, "but I accept the responsibility. It's so easy to find an excuse not to give. We're training our children how to give."

There are other forms of giving than writing checks. Haas' company employs minority workers who have benefited from programs established through agencies funded by United Way or the foundations. One of these, *Arriba Juntos* (Up Together), run by Lee Soto, is training some 60 people a year in San Francisco's Mission district. These people are largely Spanish-speaking dropouts who, after training with *Arriba Juntos*, have qualified for jobs with the major banks, hospitals, hotels, and businesses like Levi-Strauss. In one way, *Arriba Juntos* is an excellent example of philanthropy's potential circle: money donated to United Way helped train Spanish-speaking people, who now work in San Francisco's businesses and donate to United Way.

Levi-Strauss, with factories in 50 cities, also started two years ago asking volunteers in each plant to go into their communities and see what was needed and make decisions about what the company should do to help. "There's been a great response," Walter Haas says. "Most people want to give, but they don't know how. Or where."

Corporations have, for the most part, replaced the major families as broad philanthropists. Corporations give to United Way, and offer a variety of volunteer programs in the city. "There are very few families now that carry the major burden of giving," says Haas. "Very few sacrifice to give, except to Israel." During the October 1973 war, Jewish families in San Francisco – and elsewhere in the United States – gave to Israel until it hurt.

Another philanthropist, but not of the traditional wealthy families of San Francisco, is Benjamin Swig, owner of the luxurious Fairmont Hotel on Nob Hill, and president of the Swig Family Foundation. "Why do I give?" Swig asks rhetorically. "I'm grateful to God for being so good to me. My father was an immigrant, and here I am. And I'm grateful to this country for making it possible."

Others give for a rainbow of reasons. "What makes people part with their money?" asks Lewis Durham, director of the Glide Foundation. "Friendship; to get people off your back. Guilt is not as prevelant as it once was. . . ." Others donate to politics because they want something back: instant status, increased speed of their upward motion; the position and power that money *can* buy. David Sibbet, director of training for the Coro Foundation, looks for the *quid pro quo:* "Some want to see change. Others like stability. Others care about the community deeply." Robert Coate, financial advisor and former chairman of the Democratic Party, believes that the size of the gift varies with the ethnic background of the giver, and where he lives: "It is the nature of people who live in the cities to give more."

Sibbet agrees. "Most private givers in San Francisco are Jewish," he observes. "That community is very interested in the structure of government and civil rights. One disillusioned solicitor elaborates: "Jews have a compulsion to give. The next group that gives is the well-to-do urban Catholic community, then other small ethnic groups. The worst givers are the suburban WASPs. They're the takers."

Marshall Kuhn, director of the Pacesetter Program of the Jewish Welfare Federation, reports that "the Jewish community gave twice as much this year. In 1974, they gave $12 million. . . . Every Jewish community is different. I think San Francisco has the least shrinkage on their pledges." Benjamin Swig adds: "Jews will take care of themselves, and then all others. It's born in them. I give to all religions, but no others give to Jewish causes." Then Swig adds, enigmatically: "I'm not culturally inclined. I don't raise money for cultural things. Let the rich do that."

The other rich folks in San Francisco do. The city's opera and symphony and museums benefit enormously, although, warns Milton Salkind, president of the San Francisco Conservatory of Music: "Patrons are passing with the present generation." It is in the arts in San Francisco that a basic change is taking place in philanthropy. While it is true that the bulk of support for the opera, symphony and museums still comes from the families of wealth, a substantial, and sometimes vital, amount also comes from the San Francisco Hotel Tax – that is, from almost everyone.

The hotel tax, which gave $1,497,000 to 68 cultural groups in the city – from the opera and symphony to the African Peoples Theatre and the S.F. Poverty Theatre – is run by a tall, heavy, silver-haired Irishman named Thomas J. Mellon. Not surprisingly, Mellon is already under fire. He wields a lot of money (and power); it is Mellon who decides which groups will get the hotel tax money. One, the San Francisco Mime Troop, a bit short-changed and understandably miffed, has sued and is challenging the way the city, and Mellon, budget this fund. "Under charter," Mellon explains, "the money comes in and I reallocate it to the various groups." He tries to take in two to four new groups a year, although "sometimes they wait in line several years." The Mime Troop wants to open selection to public hearings and take it out of Mellon's hands. But Mellon, for his part, thinks this would put arts into "the political arena." He enjoys selecting the cultural groups, which he defines as "any group engaging in some kind of substantial artistic activity. I'm not an art critic, thank God."

As visibly controversial as the tax is, it still leaves the private donor carrying the burden of San Francisco's art culture. Although some 60 percent of the entire hotel tax goes to all the arts, and the city contributes space to museums and some other monies, private philanthropists "participate very heavily in the arts and cultural activities," says Tom Mellon, "and if the city eliminated this support the private sector might also take their hand out of it. Contributions might fall off. There are people who for just any reason at all would rather not contribute their money to anything."

Other benefactors of San Francisco's philanthropic wealthy are the colleges (and some private secondary schools). Robert Coate thinks some of that giving is overdone and should be redirected:

"The Stanford student body is the same size now as it was 25 years ago, but there are twice as many buildings there. Money should go to help pay tuition, to relieve parents of the enormous drain." But getting the foundations and wealthy to change their giving might be difficult. Coate points out that "KQED (public TV), Stanford, Children's Hospital are supported by the 'establishment', and that's a big chunk of the giving. People who live in the enclave are hardly aware of the rest of the world. In northern California, they are the most parochial people on earth."

Next to these people, and their "parochial" interests, corporations are also large donors. Here, however, the money is spread out more, and follows less traditional patterns. Levi-Strauss has its imaginative projects. The Bank of America, with $200 million in profits, gives away perhaps $2.5 million, and, says C.J. Bocchieri, secretary of the Contributions Committee for the bank, "the trend is upward. . . The rationale for giving is that it is in the company's best interest. The Bank of America feels that they ought to improve the community in ways that are beneficial to the stockholders. San Francisco is terribly important."

There is a final, perhaps bed-rock reason for giving: tax incentives. "It's very necessary to have tax incentives," says Benjamin Swig. "I'm leaving all my money to charitable foundations so my children will *have* to give money away." Hopefully, such donations will continue to go to San Francisco's worthwhile projects. One indicator of the importance of tax incentives is the "year end" pattern of gift giving. In San Francisco, for example, gifts from living individuals received in December jumped from almost 8 percent in 1968 to 23 percent in 1972. Such tax incentives, says Edward Nathan, executive director of the Zellerbach Family Fund, are necessary to make people give. "It isn't easy in this country to part a person from his money," says Mr. Nathan. "People can find a lot of reasons not to give. Generosity is a fleeting thing. You can't support a community institution on that."

Tax incentives may be less critical to the "little giver," since, says Robert Coate, "the small contributors must be encouraged, new ways to reach them must be found." One person who spends much of her time searching for the small contributor is Mrs. Leslie Luttgens, former director of United Way and the first woman president of a major fund in the United States. "Most people don't give unless someone comes to them," Mrs. Luttgens says. "United Way tries to have personal contact between each donor and the agency; it also offers opportunities for donors to have personal contact with the recipients."

Both efforts have come out of United Way's rocky past, and Mrs. Luttgens' rugged convictions. This year, United Way expanded to 189 agencies and gave away more than $18 million donated by San Franciscans. One of the new agencies will help elderly Chinese: United Way has been under fire from minority groups in the Bay area for being run by people with imbedded, middle-class interests. Ling Chi Wang, head of the Chinese Affirmative Action (CAA) in San Francisco's Chinatown, recalls that until 1970, United Way funded only traditional programs like the YMCA, Boys Club, the Salvation Army. "It presumed by such funding that Chinatown was served," says Ling Chi Wang. "But it did not deal with the deeper problems here: unemployment, delinquency, housing. Few of these problems are even now touched by United Way. Most of the UW's leaders are corporate executives who don't really know what's going on in the Chinese community. United Way needs them to raise money, but they have no knowledge of the problems."

Other groups have also protested. When Leslie Luttgens was starting work with San Francisco teachers, she found them "very hostile towards United Way." What did the fund have to do with them? they asked. "My idea was to show these teachers that United Way Services might help their kids. Personal contact is important," Mrs. Luttgens feels, "and letting people know what services are and how those services relate to them as givers."

Mrs. Luttgens started a "Come and See" tour that lets small groups of donors call the UW office and arrange to go see a few of the 189 agencies on the United Way list. "United Way needs to be personalized and humanized," she argues. "When you get over 100 agencies you lose the personal touch that you have when you give to, say, St. Elizabeth's Hospital."

That personal touch sometimes works – and sometimes doesn't. There are pockets of hard-core non-givers: university professors, journalists and other media types, and doctors. Mrs. Luttgens has had some success with each group, but, generally, they remain tight with their money. At Stanford Medical Center, United Way volunteers showed the doctors what services were funded by UW contributions that they or their patients could use. Giving went up 70 percent. "But a lot of doctors still tell us," says Mrs. Luttgens, whose husband is a doctor, "'I thought the government was doing all that sort of thing now. What are my taxes going for?' – which is a real negation of private philanthropy."

Obviously, most of the agencies need more money, and United Way plans to increase its target by 30 percent. But there is increasing competition for the small contributors' dollar. For one thing, a parallel competitor, Combined Health Agencies Drive, has started in the Bay area. Its attraction is one that troubles Mrs. Luttgens and others in the field of paycheck philanthropy. Here is her reasoning: Combined Health offers donors payroll deductions for specific health agencies, such as heart, lung, cancer, arthritis, March of Dimes. Such specific "designations," as they are called in the business, occur under United Way and most funds, but are a bureaucratic nightmare, and further weaken the basic premise of such a fund: to collect a lot of money from small contributions and spread it among many agencies. (There is an additional advantage hurt by funds like Combined Health: to keep small contributors from being dunned incessantly by hundreds of agencies.)

United Way spends just ten cents on every dollar for administration. One determinant is the widespread use of volunteers, itself a form of philanthropy. For its budgeting program alone, United Way has more than 200 volunteers working almost full time. Still, Mrs. Luttgens feels, voluntarism needs rejuvenating. In fact, courses in voluntarism are being offered now in a nearby junior college and at the University of California in Berkeley.

One of San Francisco's big philanthropists is Philip S. Boone, who believes that the city is small enough "to have familiarity throughout the community; one learns how to get things done. . . . San Francisco has a volunteer environment. Most men and women who grow up in the city count as part of their life to be involved." Florette Pomeroy, director of the Council on Alcoholism, agrees: "There is a great future in voluntarism. The growth of community action groups is directly related to voluntarism. Voluntarism is the training ground. Voluntarism must be preserved. It is the cornerstone of democracy . . . Government funding would radically reduce voluntarism."

Government funding is the Big Fear of the philanthropists, and especially the foundations, in the Bay area. There is good reason. Government's movement into the arena, largely through revenue sharing, has had a major impact on philanthropic organizations. One ripple of this impact is striking at the foundations, which are – or claim to be – looking at more risk-funding programs, giving "seed" funds to projects that the federal government might later pick up, and, perhaps paradoxically, also bailing out projects abandoned by federal cutbacks.

Government "interference" in areas previously comfortably within the domain of the philanthropic foundations is raising questions, and hackles. "Revenue sharing is a bad deal," says Marshall Kuhn. "The federal government is foxing us. They're taking it away, then giving it back. Everybody's screaming. No matter who gets what, nobody's happy." Other foundation directors complain bitterly: Revenue sharing removes local authority from the local community and diminishes accountability; it places strong power in the mayor's office; it is being used for bricks and mortar or fire engines, as opposed to human services; the money coming in from Washington, says Mrs. Luttgens, "comes down the pike and goes to the agency that screams the loudest."

Lawrence Kramer adds: "Revenue sharing encourages a certain kind of bullying. It turns every organization into a political organization. It has all kinds of possibilities, but encourages dog and cat fights for limited amounts of money. And there's no referee there."

Mrs. Luttgens and others at United Way have already held conferences on revenue sharing, and proposed a kind of private-public partnership. "We have skills," she argues, "and they have money. We should pool our efforts to meet the needs of the community." United Way has started organizing revenue sharing coalitions in Alameda County, and set up an emergency UBAC (United Bay Area Crusade) Fund to offer temporary financial help to agencies caught between federal contracts. "Agencies have the anxiety that if they get federal money," says Mrs. Luttgens, "and then get cut off, they won't be able to get enough from United Way to survive."

There are other possibilities. Martin Paley, director of the San Francisco Foundation, worries: "One of the apprehensions we have is that we will have a series of organizations, funded at a high level, that get cut off and turn to the foundations for help." This has already happened. Lewis Durham points out: "The anti-poverty program increased the foundations' load. It set up people's hopes. They hired proposal writers and sent out requests like confetti. Foundations have been under tremendous pressure to pick up what the government ceased to fund."

Some directors and philanthropists feel that the government should handle the basic issues of food, shelter, clothing, medical-care needs, and that the private sector should take care of the close, one-to-one relationships and protective services. Already, there have been some tough observations. Lewis Butler, adjunct professor of health policy at the University of California Medical School, has called for a study on "how public subsidies can be attracted to private colleges. Stanford's budget is 60 percent federal. In no sense are our 'private' institutions private any more."

On a smaller scale, Baker Place, which started as a halfway house in San Francisco, got some public money. "Salaries went up," says Lewis Durham, "professional qualifications were demanded. Now it's caught with two-thirds federal money and a terrible bureaucracy."

Not only are foundations bailing out a few federally funded programs, but also they are becoming more flexible. "We need to focus more on high-risk activities," says Martin Paley, whose San Francisco Foundation practices what he preaches. As the federal government gets into the arts and humanities, traditional private philanthropic areas, "foundations need to interact with the government and find areas where we don't overlap or conflict," Paley suggests, "The responsibility is our's to justify our existence."

Foundation directors almost universally think federal funding should go into broader-based programs, where the risk is small and the possibility of success is large: Foundations, on the other hand, should fund specific projects "where," says one director, "the risk is high and the potential greatest."

The general impression is that foundations, and other private donors, can be more flexible than the federal government. Foundations can – and perhaps should – take more risks, and lose a few. "As a trustee of the Ford Foundation," says Walter Haas, Jr., "I know that there are areas for private direction where government can't or won't be involved – innovative things, the Green Revolution. There's a lot of government waste." And inertia. Marshall Kuhn cites these examples: "The auxiliary of San Francisco General Hospital bought a fibrulator because somebody died for lack of one. The city didn't buy it. The auxiliary also buys toothpaste. The better the citizens, the more they do. At the zoo, they now charge admission and buy their own animals. The less you can deal with the city, the better."

In San Francisco, philanthropy is funding activities that the federal government wouldn't touch with a long and sharp forked stick. Says Lewis Durham: "The Portola Institute is now involved in 'Briarpatch,' the whole matter of alternative businesses. It's a network of people who want to live between the cracks. Portola has the Whole Earth Truck Store, Wordwheel Books, and auto repair shop, the San Andreas Health Clinic. This is the direction nonprofit groups must go. . . ."

In their own way, some other San Francisco philanthropists and foundations are moving into alternative funding. C.J. Bocchieri of the Bank of America states that "We want now to get into more innovative giving. We don't really have a definition of what that is: experimental or demonstration type work that no one else is doing – problems of the inner city. . . ." The Rosenberg Foundation emphasis, says Mrs. Caroline Charles, president of Bay Area Television (KQED) and a former director of the Rosenberg Foundation, "has always been on 'submerged' people who are trying to get ahead. San Francisco Foundation has followed the pattern of giving to people who have a hard time getting money." Martin Paley points out that the San Francisco Foundation is funding, among many programs, a project for mental health counseling, medical care, and education for sexual problems. Rosenberg is also funding a study of school records, why they are collected and who uses them, to see what the possibilities may be for a self-monitoring system. The foundation is also looking into projects on the health of migrant children, and has funded a highly successful examination by a public law firm of school breakfast programs. "Here was a case," says Kurt Wilson, current Director of the Rosenberg Foundation, "of existing legislation not being used by local school districts. They were inert, incompetent, unresponsive. That project showed them how to do a breakfast program, and this morning 4,500 kids in this city are getting breakfast at school because of this program. Now, more than a million dollars is coming into the school district next year without any effort on the school district's part, for food, staff, and equipment. The question now is: If it works in San Francisco, can it be done a couple more times statewide?"

Rosenberg Foundation was funding projects 20 years ago that other foundations are just now funding. Unlike many foundations, this one tends to have vision and dreams. It got into day care, battered kids, youths running things themselves, and, says Lewis Butler, "Rosenberg money tends to go places that will never get federal money – and probably shouldn't."

Another foundation, with a relatively modest nest-egg of half a million and also ahead of its time, is Vanguard, which was started in December 1971 by Obie Benz. Obie, now 25 years old, inherited "a pile of money" at 21 and wanted to give it away. But Obie, who went to college at Middlebury in Vermont and grew up in the anti-war movement, couldn't find any foundation that would support radical projects. "Giving is usually tied to who knows who," says Obie, "and they tell each other what they should fund. Most people in San Francisco get together at their clubs and meetings and decide who or what projects will get their money. Probably it's done that way everywhere."

So Obie and six other kids in the Bay area, who have annual incomes between $25,000 and $105,000, started their own "counter-culture" foundation and dubbed it Vanguard.

"We started with seven people who put up $70,000 that first year," says Obie. "A lot of us were active in the anti-war movement. We had incomes from inheritances and wanted to avoid the shill that comes from people who don't have money and who need it. We went around here in San Francisco and asked people how to set it up. It was really surprising to find out how many people there are like us who found that they had money and wanted to give it away."

One was Peter Stern, a Wesleyan (Connecticut) College graduate with a huge triangular flow of hair that falls to mid-back, and a wispy goatee that he strokes pensively. "While growing up," says Peter, "I always felt embarrassed and ambivalent about my nice house and wealth. During the student strike for Cambodia in 1970, I wrote for an underground newspaper and got involved. I was avoiding the question about my having money. Obie was setting up Vanguard and I was excited about relating to other groups. We're really wealthy kids putting our money where our mouth is." They are trying to stretch a little money a long way into the changing needs of the late seventies, and with their novel style have made philanthropic news when more impressive sums from traditionalist givers have not.

Obie inherited his wealth from his grandparents. "I stumbled into it," he says, "I felt the responsibility of people who have resources or wealth to help people. All of a sudden, at 21, I had a lot of money and there was never any question in my mind to give the money away to people who needed it."

Eighty percent of Vanguard's funds come from 16 people and the other 20 percent is solicited from the wealthy and older San Francisco community, which treats Obie and Peter like two wayward but tolerable nephews. One endowed and charming matron patted me on the knee and exclaimed: "Oh, aren't those two boys *fun*!" Indeed they are, and also very serious. True, they secretly enjoy freaking out the dark-blue-suit foundation directors. They showed up at a meeting of San Francisco foundations, held on the 28th floor of the Levi-Strauss offices at the Embarcadero, in a director's board room that is all steel-and-leather with floor-to-ceiling glass windows along one wall, overlooking half of San Francisco bay, and modern art on the other three walls. Peter and Obie, hair billowing, wore dungarees, indifferent shirts; Obie also sports worn green-and-white Addidas track shoes with corrugated rubber soles. It was the same "uniform" they wore among the striped suits at the Chicago convention of foundations in April 1975.

The wealthy old liberals of San Francisco love it. Dungarees in the board room indeed: they pump old New Deal money into Vanguard, and the foundation, and especially Obie and Peter, act as a conduit between the city's wealthy and its poor.

Projects that Obie and Peter and others fund at Vanguard read like a Who's Who of the radical chic: women's rights, prison reform, alternative media, consumer rights. The struggle for women's rights has become their most funded area: advocating equal rights and opportunities in the school systems; women's health care; women's prison rights. Vanguard is also funding legal services for migrant workers and Spanish-speaking people in San Francisco's Mission District, a prisoner's union, a tenant-action group, and even an Intercommunal Youth Institute in Oakland run by the Black Panther Party for poor children ages 2 to 11. When Vanguard began, its members – all of whom review the grant proposals carefully – funded a lot of one-time projects. Now, they are moving into longer-term "grass-roots community groups," Obie explains. "People in the foundations," says Obie, "are really people who strongly believe this economic system is the best there is, and we should work with it. But the only contacts these people have in the foundations is with their friends in the Establishment."

"Even good liberal people," Peter adds, "don't tend to be against their own self-interest."

"Other funds," Obie continues, "are carefully screened by their staffs. They are not connected with what is really happening. Also, if you're brought up in a wealthy family, you don't have access to understanding what people in poor areas really need.

"What is this policy that enables people in power to make decisions about how money is spent? Who says that a man who is rich and self-made has any special knowledge or skill in knowing how or who to give money to?"

Peter and Obie plan to give away all their money, not just 6 to 10 percent of it every year. This permits them a certain luxury of railing against a system that, in effect, gave them enough money to allow them time to rail against it. "Maybe part of the problem," Obie goes on, "is the system, and changing the system is necessary. Our ability to think of changes in the economic system has been stunted. One whole issue that the foundations are just now speaking to is the redistribution of wealth. Sure, some foundations are making the grants on this basis, but they don't differ from what the people who run the foundations or serve on foundation boards think."

Perhaps for this reason, innovative thinking among philanthropists is limited. With the exception of people like Obie Benz and Peter Stern, Martin Paley and Kurt Wilson, Leslie Luttgens and others, most giving in the Bay area follows the past. There is an irony: Some of the people worrying most about increased federal spending and encroachment on traditional philanthropic areas, and calling for more imaginative spending of private funds, are those same people clinging most tenaciously to traditional patterns of giving. If change, as Obie Benz suggests, is needed, it must first come here. Traditional patterns of philanthropy must change – they are, in fact, the philanthropic "system" – and needs now going unmet must be seen and funded.

And these unmet needs in San Francisco, and elsewhere, are impressive. They include public transportation, mental health, mental retardation, day care services, more effective drug-abuse programs, alcoholic services, work with sexual minorities, special help for the aged, and women's groups and counseling. Work in the field of women's rights, in fact, is being ignored by philanthropists in the same way that racism and the denial of constitutional rights was so long ignored. In fact, when Obie Benz and others complain about the distance between foundation trustees and life's realities, this area – civil rights – is an immediate, and old, sore.

David R. Hunter, executive director of the Stern Fund and the Ottinger Foundation, rattled the Council on Foundations meeting with his speech on April 22, 1975: ". . . We must look back now in amazement at how many years this country tolerated the official and unofficial denial of constitutional rights of millions of its citizens. Can anyone point with pride to the timeliness and leadership of the role the great majority of foundations paid in exposing the situation and then supporting efforts to do something about it? The record shows that a few foundations concerned themselves with the problem, but very few. Not until the victims of discrimination themselves raised their own voices did things really begin to happen.

"The white male executives and trustees of foundations years ago should have been saying: 'it is *our* birthright, too, that is being ripped off by those who deny full equality to *anybody* in our society and we are going to use these funds in public trust to do something about it.' They didn't. And even when some momentum did get started it never reached a magnitude that measured up to the problem. . . ."

Ruth Chance, a dynamic lady who served as director of the Rosenberg Foundation, put it this way: "Local foundations also tend to exclude groups of people for whom there is no place in society. It's hard to figure out how or why problems come to the fore. Right now there are problems taking place around us that won't be clear for five years."

The fact that unmet needs are being discussed at all indicates, perhaps, early stages of dialogue among some foundations. "There are 25,000 foundations," says Ruth Chance, "and most of them don't know what's happening to them." Indeed, few of them put much into the foundation business. "A lot of foundation boards," says Kurt Wilson, "don't make many decisions, or any at all. They meet quarterly and spend less than five minutes in decision making. They probably don't look at their decisions on a broader level. Most make project grants that limit people t narrow ideas. Foundations are more niggardly with their ideas than their money."

For one thing, some foundation directors in San Francisco complain that the aren't seeing as good ideas from outside as they were five years ago. They are als questioning whether or not they are being as creative with their money as the could be, and that kind of assessment, says Martin Paley, needs to be encouraged.

"There's less time and less money now," says Kurt Wilson. "The pace of chang is not understood in philanthropy. Few people see how fast changes are comin and we can't afford to spend as much time in discussing the various issues as we di in the past – as we did, say, in discussing the Chicano issue. Changes in society ar coming at a rapid rate.

"The opportunities for positive change are declining. Simply meeting th immediate needs of society is getting harder and harder. Philanthropic power i being weakened by inflation and diminishing impact."

Sanford M. Treguboff, a major donor and a San Francisco consultant to foundations, believes that philanthropists must now seek to strike a balance betwee innovative projects and meeting basic needs. "With all the government's billion human beings still fall between the cracks. How astute is it for any foundation t say they want innovative or unique projects when there is so much human need Foundations should set aside a percentage for creativity, but food, clothing, an shelter must be taken care of."

This, then, is one major conflict in the Bay area: How to meet needs and still b flexible enough (and innovative enough) to initiate programs government couldn't or wouldn't, fund. Dean Macris, director of community development in Mayo Joseph Alioto's office, sees a balance: '"Charity' is outdated. Money should be use to fill in the holes left by government."

But this places "government" – whatever that is – in the leading philanthropi role. No one in San Francisco, not even people like Dean Macris or Tom Mellon would do that. Mrs. Caroline Charles sees private money funding projects that migh later be picked up by government: "Foundation money, particularly in smal situations, can most successfully be used for emerging needs of groups that aren' generally recognized by society but have to be recognized sooner or later."

"Philanthropic giving," says John R. May, former director of the San Francisc Foundation and a major figure in giving in the Bay area, "is giving which i intended to, and tends to, improve the quality of living in the community. It shoul do more. It should do things others can't, like alleviate the injustice done t minorities, help provide equal opportunity in housing, education and jobs, help th environment. It should lead the way for government, take chances that governmen shouldn't have to take, bring something more to people's lives than food an shelter."

"Private philanthropy," says Walter Haas, Jr., "reaches into all parts of the city and if it were abandoned there is no way most of these services would get done."

Without private giving, San Francisco would not be the exciting and cultured an varied city that it is. Private philanthropy and a vibrant volunteer spirit generate special quality of life in the city. Without this, there would be no symphony o opera or new plays in the schools for the city's kids, no zoo, no museums, n neighborhood arts programs, no lobbying for mental health, few drug programs, n dance theatre, no teaching programs for the arts, no opera, no symphony, no club for boys and girls, no breakfast programs, no help for the elderly, far less medica research, fewer day care centers, no care for pregnant women, fewer visiting nurses no training programs for minorities – in short, fewer programs and a lot less hope